JULY 15
1933

BUSINESS WEEK

See page 3

SOVIET SALESMAN—At the Economic Conference, Maxim Litvinov re-sold a customer in London, found a good prospect in Washington

McGRAW-HILL
PUBLISHING
COMPANY, INC.

20 CENTS

THE NECK OF THE BOTTLE

Recovery after years of depression—particularly the spectacular recovery of the past ninety days—may be confusing and bewildering. Often what actually takes place is obscured by the rapid succession of developments.

The major recovery to date has been that of business activity—more business at better prices. Its first fruits lie in the treasuries of great corporations. This new income has barely begun to sift through to workers and stockholders as wages, salaries and dividends. It is still in the hands of the men who control America's corporate wealth. They will distribute the cards in the next stage of the new deal—spreading the greater income of business throughout our entire economic structure.

Here, among these men, lies the immediate "recovery" market. They have new wealth—new cash and credit. They feel the confidence born of increased and increasing income. They are ready to refurnish the armament of business tools depleted by four years of depression. Through their hands will flow the funds to underwrite the coming prosperity.

Theirs is the power to buy—for business. And from the power to move that power to action is derived the extraordinary advertising value of

BUSINESS WEEK

Primary for business

THE BUSINESS WEEK (with which is combined The Magazine of Business) July 15, 1933 No. 202. Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; B. R. Putnam, Secretary. $5.00 per year, in U.S.A. and possessions; $7.50 per year in all foreign countries. 20c. per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U.S.A.

Printed by The Schweinler Press, N. Y.

This Business Week

WELL, it got settled at last. The name of the law is NIRA (National Industrial Recovery Act) and the name of the organization that is putting it into effect is NRA (National Recovery Administration). The story (perhaps apocryphal) is that it was all to be called NIRA until *Business Week* wrote that piece about "Neera, My God, to Thee." The General didn't like that—turned thumbs down.

PRESIDENT ROOSEVELT described the NIRA as an invitation to industry to enter a partnership with government. Marked "R.S.V.P." Someone said NRA is the iron hand in the velvet glove—but the velvet is wearing a little thin. For instance, the telegrams to 48 leading trade associations—"When shall we expect to receive your code?"

SALESMANSHIP of the Recovery Administration has not been too good. General Johnson was intent upon nipping profiteering in the bud. That was the sole meaning of his emphatic discouragement of price features in codes. He overemphasized this; many industries drew the inference that they were to give everything and get nothing. Naturally they didn't rush in.

GENERAL JOHNSON is not a patient soul. He is genuinely alarmed, too, about the economic situation, with production piling up, and purchasing power being outstripped. Hence much discussion behind the scenes in the Administration over the question of putting on pressure. Just when, and just how, to turn on the heat is in debate.

One plan calls for a drive, modeled on the Liberty Loan drives. Charles F. Horner of Kansas City, Mo., organizer of the wartime "Four-Minute Men," has been given the job of laying plans. He moved in, with some dozen designs for labels for goods, buttons, posters, and lined them around the walls of a big room, with the doors open. Everybody had a good look. The "leak" bothered some officials, but the story went almost unnoticed.

CRITICS of the Administration say its most costly mistake has been the delay in the public works program. For reasons none too altruistic, employment of thousands of men was delayed at a critical time when it was most necessary to build up buying power. Instead, contracts that already had been advertised and were ready to go are not yet under way. Advertising that should have begun a few days after the approval of the bill has yet to have its first insertion so that the 30 days required by law can begin to run.

There is, of course, the school, to which the Director of the Budget belongs, that believes more employment would result were the government to cancel the public works program, save wherever it can, and balance the budget. But the President has overruled this group of advisers—he wants full speed ahead.

CONFIDENTIAL reports to Washington from London are that the British are going in for bigger and better inflation, following the failure to peg the dollar and pound in terms of each other.

Diplomatic circles also hear France is apt to devalue the franc a little more.

This is the "race for devaluation" so often forecast.

SALE of cotton to Russia is seen as an entering wedge for recognition of the Soviet Government. President Wilson declined to recognize the Huerta régime in Mexico in order to emphasize our disapproval of the way in which it came into power. Wilson thus gave a new and curious twist to diplomatic procedure. Russia has not been recognized for the same reason.

Some of those close to the Administration point out that we do not approve of some of the acts of the Hitler government but no one considers severing diplomatic relations with Germany. For that matter there was general disapproval in this country of many of the policies of Czarist Russia.

PET of President Hoover, favorite target of critics of "wasteful bureaucracy," put under sentence of death by Roosevelt, the Bureau of Foreign and Domestic Commerce has won a reprieve.

It's a long story, but the gist of it is that when the idea of the Recovery Act began to take shape, a horde of interested persons descended upon Washington—industrialists, labor leaders, trade association executives. They wanted to help, or they wanted to object, or they wanted to know. Nobody was ready for them—nobody but the Bureau. It became indispensable.

Perverse and ornery observers who never fell very hard for the loud propaganda, about the vast sums wasted in government bureaus are grinning sardonically. Count us among them.

The Business Outlook

Current statistics plainly reflect the feverish efforts of manufacturers to "beat the gun" — that is, to build up inventories of finished goods before rising wages and rising materials costs jack up prices. The Administration is concerned, as it may well be, and goes so far as to consider a blanket code raising wages in all industry, so as to build up purchasing power which just now sadly lags behind production. . . . Power production keeps widening its spread above 1932 levels, the gains most marked in the textile regions of the South and of New England. Shoe production in May reversed the seasonal trend; instead of declining, it jumped 19% ahead of April. . . . Conservative price advances posted by most steel companies have slowed down orders a little, but business booked will keep operations at current or higher levels during July at least. . . . Automobile makers still are busy, a little to their own astonishment. . . . June construction passed the $100 millions mark for the first time since November, 1932, mostly private projects. Public works have yet to make their sadly needed contribution. . . . A sensational forecast of short crops of all major grains lifted prices to new high levels, not unnoted by the bakers. . . . The dollar's showy acrobatic performance goes on—and probably will for some time to come.

STOP *the Locomotive!*

It Will Lower the Price of OATS

THE young man in the beaver hat was stumped. An armful of mechanical drawings, the fruit of his brief but brilliant career, was about to be pigeon-holed.

"What! A machine to take the place of coach horses?" had cried an outraged citizenry to a bewildered parliament. "What will we do with our animals? What will happen to the price of oats?"

EVEN when young Stephenson finally did get his chance, the conservative populace continued to shake its head. One legislative restriction after another entoiled his efforts. The first actual railroad train was only permitted to operate in the path of a man on foot waving a red flag.

To this day, in New York, this law finds echo in the man on horseback who still precedes all railroad trains operating on the city streets.

So, always, have the comfortable conservatives fought the liberal vision.

For every Stephenson condemned by the grain broker, there has been a modern prophet scorned by the iceman, the phonograph manufacturer, and, yes, even by the railroad president!

Yet, the marvelous thing—for Progress and for our present state of mind—is that mechanical refrigeration, radio, bus and airplane *have* been triumphant. The liberal mind, numerically in the minority, eventually transmutes itself into the majority. The pioneers of business can always be certain that the initial support of the younger, liberal classes must be followed by the eventual acceptance of all.

AS the one magazine that is young in sponsorship, liberal in editing and proved acceptable to the young, liberal element of this country by the greatest week-by-week purchase-vote of any weekly, Liberty is conscious of the strategic position it holds in influencing the thinking of our times.

REV. MILTON AUGUSTUS BARBER
RALEIGH, NORTH CAROLINA

Rector, Christ Church, Raleigh. President, Standing Committee, Diocese of North Carolina. Trustee, St. Mary's and St. Augustine's Schools. President of Board of Trustees of Olivia Raney Library. Member of Board of Directors of Y. M. C. A.

MR. BARBER WRITES TO LIBERTY:

"ANY magazine that stands for liberal thinking and open-mindedness can render a real service to the world today.

"There is a place for your magazine in preparing the world for a new day and a new deal."

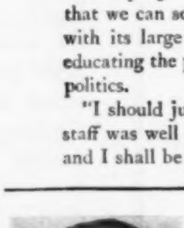
WILLIAM M. BLATT, LL.B.
BOSTON

Former Professor of Medical Jurisprudence, College of Physicians and Surgeons. Author: Leading Massachusetts Cases; Husbands on Approval; The Treasure in the Trunk.

MR. BLATT WRITES TO LIBERTY:

"THERE never was a better time for publishing a popular magazine with the courage to face real conditions and to advocate a program that is practical and fair. Such a program must be much more liberal than any that we can see in the ordinary daily papers. Liberty, with its large circulation, can serve tremendously in educating the people to the realities of economics and politics.

"I should judge from its past performances that its staff was well equipped to do just that sort of work, and I shall be on the cheering lines to help."



CHESTER LLOYD JONES, PH.D.
MADISON, WISCONSIN

Director, School of Commerce, University of Wisconsin

DR. JONES WRITES TO LIBERTY:

"WE need an aggressive liberal magazine and Liberty with its wide circulation can serve as such effectively.

"If you can keep Liberty to the standard of true liberalism it can do a great service."

BUSINESS WEEK

JULY 15, 1933

Codes, Or Else—

Recovery Administration's invitation to Washington begins to sound like a command as misunderstanding and suspicion delay submission of industrial codes.

WASHINGTON—"Can't they read? We are offering them industrial self-government. We ask them to adopt a constitution for industry and let us help them enforce it. Don't they see the papers?"

It's General Johnson, Industrial Recovery Administrator, speaking just after he had sent to 48 trade associations telegrams that boil down to a pre-emptory, "When may we expect your code?" The "lost week" since the hearings on the cotton-textile code threatened to extend into a lost month or a lost summer. The "avalanche" of agreements that was to follow the first one had not arrived. The predicted letdown in enthusiasm over NIRA definitely had.

"National Code"

Then came scurrying plans to "get 'em in," whispers, conferences, at last day-long sessions of the advisory committees, appointment of a subcommittee of 3 industrialists, 3 laborites. They drew up a plan for temporary codification on a nation-wide scale—a 40¢-an-hour minimum wage, a 35-hour maximum week for industrial workers, a 40-hour week for white collar and mercantile folk—pending filing and approval of codes for each industry. There was talk of industry's accepting the "national code" voluntarily, of having the President do it by proclamation. Legal advice pointed out NIRA provides that hearings must be held before any code is adopted, or even imposed by the President—no place under the act for the new plan. A Liberty Loan type of drive, led by a Presidential radio appeal, was an idea the White House liked.

Meanwhile, new codes—big ones—began to arrive, and the excitement began to smooth itself down. But the talk in industry had warned Washington of the possibilities of a protracted delay.

Things had happened to complicate matters since the General stated his theorem and the President told him to go ahead with the demonstration. Industry had heard a good deal about what the program was to do for labor without getting the idea back of all this that the only way it can serve itself is to serve a bigger slice of cash and confidence to its consumers, which largely means its labor. And there is some feeling that, in his anxiety to get his main point across, General Johnson has under-emphasized his corollary proposals for business stabilization designed to make wage-raising safe from the chiselers; has, perhaps, over-emphasized—for the benefit of profiteers—his desire to hold prices down, while knowing that they must eventually follow costs up the scale.

The cotton-textile people, whose labor situation was particularly bad and said to be in for a Washington housecleaning Recovery Act or no, had come down to the capital with a simple labor code, leaving trade practice matters for later action. Industry had watched them raise their original wage minima under Administration persuasion, had read President Roosevelt's 13 emendations of the cotton code, most of them tightening the labor controls. Missing the significance of the Planning Committee set up after the hearings (page 6), it had failed to see any *quid pro quo*.

Also speculation and anticipation had begun to run up prices, stir up demand. Some industrialists, failing to realize that their suddenly aroused customers were merely discounting a promissory note, had begun to wonder if, maybe, they couldn't do without the General.

Labor's Monkey Wrench

Finally, President Green of the American Federation of Labor and his cohorts had tried to make it appear that, while the Administration had, indeed, climbed on the fence to get away from the union labor issue, most of its weight was hanging over on the union labor side.

Perplexed by these events, a good many industrialists have been listening to their lawyers instead of to General Johnson and reading legal advice instead

Acme

CODE OPERATION—General Johnson (left) will watch farm product codes involving labor, coming before George N. Peek (right) who, in turn, will have a man at hearings before Johnson where there is overlapping.

of the Recovery Act or the information coming out of the Commerce Building. They have been hearing what they always hear from such sources, "Go slow." Washington suspects that they have been hearing the same thing from colleagues who see a chance to pile up against the coming price rise stocks made at low wages. It knows that they have been hearing it from interests that have always been unable to see the consumers for the wage-earners and have never seen "labor" without thinking of union agitators.

Behind the Scenes

This is about the sum of what's back of the "lost week" and what has been going on behind the scenes to break the General's patience, to bring from Donald Richberg, his chief legal adviser, the warning that "suffering millions are now giving industrial leadership one more chance—perhaps its last—to justify its authority," to raise in the Attorney-General's office the bogey of the Sherman Act, and to stir up threats of drastic action at the White House.

Washington believes that it's largely a sum of misunderstandings that will be cleared up as the Recovery Administration gets an opportunity to make its policies plain through action on other codes that go the whole way in "industrial self-government," with provisions to regulate trade practices as well as labor relations. It says that the current flow of data and publicity from the Commerce Building—of a kind that has been begged for the past 3 weeks—will soon convince the dubious that General Johnson and his staff fully appreciate the complications of the job that they have asked industry to do; that better acquaintance with the deputy administrators and the advisory boards will reassure the hesitant that they are to be operated on neither with a political pen nor a military sword.

Time Element Involved

However, Washington has no doubt that there's going to be an operation. Whether or not that was the intention, surpluses have been piling up during the delay; buying power hasn't.

"The figures," General Johnson told a press conference, "indicate that we must do something about it. . . . There is an angle of time element about this question. If we get too far ahead of purchasing power it will mean a new collapse."

With that time element in mind, the General has been talking to industry even more directly than to his press conferees. This week the barrage was extended. Attorney-General Cummings has been talking. The White House has begun to thunder. Assurances that the new deal means a fair deal for industry and prescribes neither A. F. of L. unions nor company unions for labor have been accompanied by reminders that the President can impose codes on industries that hang back or split up (as the bituminous industry has), and by pointed reference to those licensing powers, intended as a last resort, capable of being used as a first one, if necessary.

Keystone

FIRST CODE—George A. Sloan (right), president of the Cotton Textile Institute, talks with Dr. Alexander Sachs of the Recovery Administration which approved an addition to cotton's labor code providing for regulation of trade practices.

Meanwhile, to centralize the broad attack on the depression and tie the whole recovery program together the President has appointed a Recovery Council bringing into one body all the administrators of his new deal. Members include Lewis W. Douglas, Director of the Budget; Jesse L. Jones, chairman of the R.F.C.; Henry Morgenthau, Jr., governor of the Farm Credit Administration; George N. Peek, Agricultural Adjustment Administrator; General Johnson, Industrial Recovery Administrator; Joseph B. Eastman, Federal Coordinator of Transportation; Harry Hopkins, Federal Relief Administrator; Secretary of the Interior Harold L. Ickes, in charge of the Public Works Administration (other Cabinet members ex officio); William F. Stevenson, chairman of the Home Owners' Loan Corp.; Dr. Arthur E. Morgan, chairman of the Tennessee Valley Authority; Robert Fechner, director of the Civilian Conservation Corps. Coordinator of coordinators as executive secretary will be Frank C. Walker, also treasurer of the National Democratic Committee.

Mr. Roosevelt Amends

President's changes in textile code clarify its controls, keep wage issues open for revision.

WASHINGTON — President Roosevelt's approval of the cotton textile code, first to come before him, brought forth some highly important revisions of the whole industrial recovery plan. Thirteen "interpretations and conditions" were imposed. It is generally but not officially known in Washington that the sponsors and the Labor, Industrial, and Consumers Advisory Boards were all consulted in the drafting of the final changes. This is in line with the receptive attitude of the NRA throughout.

Presidential rulings of broadest significance specify that: (1) acceptance of the minimum wages provided in the code is not to be taken as "approval of their economic sufficiency." They are approved because, for the present, it is felt that a higher minimum wage might "reduce consumption and employment," and when conditions improve the wage rate question is to be reopened; (2) office employees are to be included in the minimum wage rule; (3) present wage differences between the lowest-paid

class of labor and better-paid employees up to $30 a week are to be maintained under the new scales, so that all workers up to $30 a week benefit by the higher minimum wage; (4) maximum hours provided apply to every employee and no worker will be permitted to take jobs in 2 factories if total time exceeds the permitted 40 hours; (5) piecework is allowed, provided the minimum rate per hour is guaranteed "to avoid frustration of the purpose of the code by changing from hour to piecework rules"; (6) pending new provisions regarding stretchout, no increases in amount of work or production required over that of July 1 will be allowed, except as approved by the Planning and Supervisory Committee; (7) members not signing the code may have a hearing on desired changes before being punished for non-compliance; (8) the code is approved for 4 months and may be revised at any time, renewal being upon the specific application of its sponsors; (9) the Planning and Supervisory Committee set up in the revision of the code during the hearings is to have 3 non-voting members named by NRA.

This Planning and Supervisory Committee is important, may set a precedent. It is specifically directed to "supervise the development of statistical, accounting, credit and other controls for unfair and destructive price and trade practices as well as to carry out long-range planning." Here is the machinery for governing trade practices, left out of the original code, and now filling what other industries felt to be a wide gap in the cotton program.

Acme

LABOR EXHORTER—Paul J. Smith, A. F. of L. organizer, addresses rubber workers in Akron, makes hay while the NIRA shines.

What About Labor?

A. F. of L.'s move on "open shops" adds a labor question to the problems faced by code-makers.

Two statements set forth the labor question that has climbed on Gen. Hugh S. Johnson's back as he bends over the text of the National Industrial Recovery Act: (1) "President Roosevelt wants you to organize." (2) "This company is going to form a union of its own before these agitators get in."

NRA headquarters says that the first, ascribed to "these agitators," has no evidence to back it. Miss Perkins has compared the second to the proposals of the smart young men of the war generation who married to escape the draft.

The Recovery Act directs that every code must specifically assent to the right of employees "to organize and bargain collectively through representatives of their own choosing," must guarantee that "no employee and no one seeking employment shall be required . . . . to join any company union, or refrain from joining, organizing, or assisting a labor organization of his own choosing."

That is all it says but not even Washington could furnish a weaseler competent to draft a statement of labor neutrality which would protect an "open shop" that is closed to labor unions. Perhaps the Administration didn't want to find one. In any event, its failure supplies the basis for labor's burst of organizing activity and for much of the doubting and fearing that has delayed code-making.

Doubts and fears are most pronounced in such open-shop centers as Pittsburgh and Youngstown (steel), Detroit (automobiles), and Akron (tires). They have provoked screams in the coal industry where President John L. Lewis of the United Mine Workers is claiming 150,000 new recruits.

Steel leaders, struggling with their codes (page 8) have been distracted by the efforts of the Federal Labor Union, new A. F. of L. affiliate, to organize their workers into plant chapters and to set up branches alongside the company unions that some of them have formed in the last fortnight. Labor and industry alike eagerly await the opening of Washington hearings on the steel code—the first big showdown on the power of organized labor under NIRA.

Greenest of fields in the eyes of the labor organizer is Detroit, where the Administration's hands-off policy spells trouble for the defenders of the automobile industry's historic open-shop policy. The A. F. of L. has opened its own office there independently of the Detroit Federation. Three organizers direct from headquarters are rounding up recruits for the United Automobile Workers Union of America, which is also to be divided into plant, not crafts, units. Later on, headquarters asserts, its members may be assigned to crafts unions; the industrial union is best for quick action. But members of such existing crafts unions as that of the metal polishers are not too happy and their jealousy is complicating the drive.

Hard Nut to Crack

So is the renewed activity of the old Auto Workers Union, whose communist elements are impatient of A. F. of L. conservatism and anathema to the Federation. This languishing organization has been stirred up again as it was when the Briggs Body strike temporarily swelled its normal Detroit membership of under 2,000 to 6,000 and more.

Labor's emissaries meet their chief obstacle in the solidity of the automobile manufacturers' organization and in the fact that the automobile industry, generally speaking, pays high wages compared with other industries. A recent survey placed its minimum hourly wage in Detroit at 40¢ for men, 30¢ for women. But hours are sometimes long, though Chevrolet has recently cut to 7½-hour shifts, 5 days a week, and others are coming down.

Finally, many automobile workers are now getting their first grip on a pay envelope in many a month. Why take a chance on disturbing this happy condition, particularly since they are likely to get a raise without kicking, as a result of the recovery program?

The A. F. of L. is not letting it go at this. It is after members with personal and phone solicitations, posters, handbills and meetings. Prospects are being told that the new union will demand a share in forming the industry's code and will appeal to Washington if refused. William Collins, direct representative of President William Green, is announcing that "the automobile workers can only secure the maximum benefits to which they are entitled under the Industrial Recovery Act through collective action. . . . Furthermore, no real lasting benefit can be secured from affiliation with

company unions." The car manufacturer professes himself not too worried but there is no doubt that NIRA's labor friends have cooled his enthusiasm for an assignation in Washington.

An allied industry has been similarly upset. Down in Akron the tire workers are being urged into another of these new industrial unions. Tire makers, too, are sweating over a code with one ear on organizers' speeches. "Your chosen leaders will have as much to say as Harvey Firestone or anyone else when they appear before the President or his qualified representatives. . . . If any of you joins a company union, you do it deliberately and deliberately forfeit the great privilege that is yours." Thus Paul J. Smith, A. F. of L. emissary.

Washington hears unofficial suggestions of a truce on organizing activities while industry is preparing its codes. It has also heard suggestions that all this activity arises from the disturbing thought that, after the codes go into effect, workers will have no need of unions. Labor is suspicious of the first, derisive of the second.

NIRA has given labor worries of its own. Union men are not happy about the Advisory Board plan which sets labor opposite industry, feel that they should have been treated as a part of industry. They add that they should have a larger representation on the NRA staff, complain that the deputy administrators are practically all industry's men. And finally, there is increasing doubt that the new deal is going to include their cherished 30-hour week.

Codes for General Johnson

Lumber and electrical industries lead the NIRA line-up behind cotton textiles. Like steel, which is also falling in, they have larger ideas on trade practices.

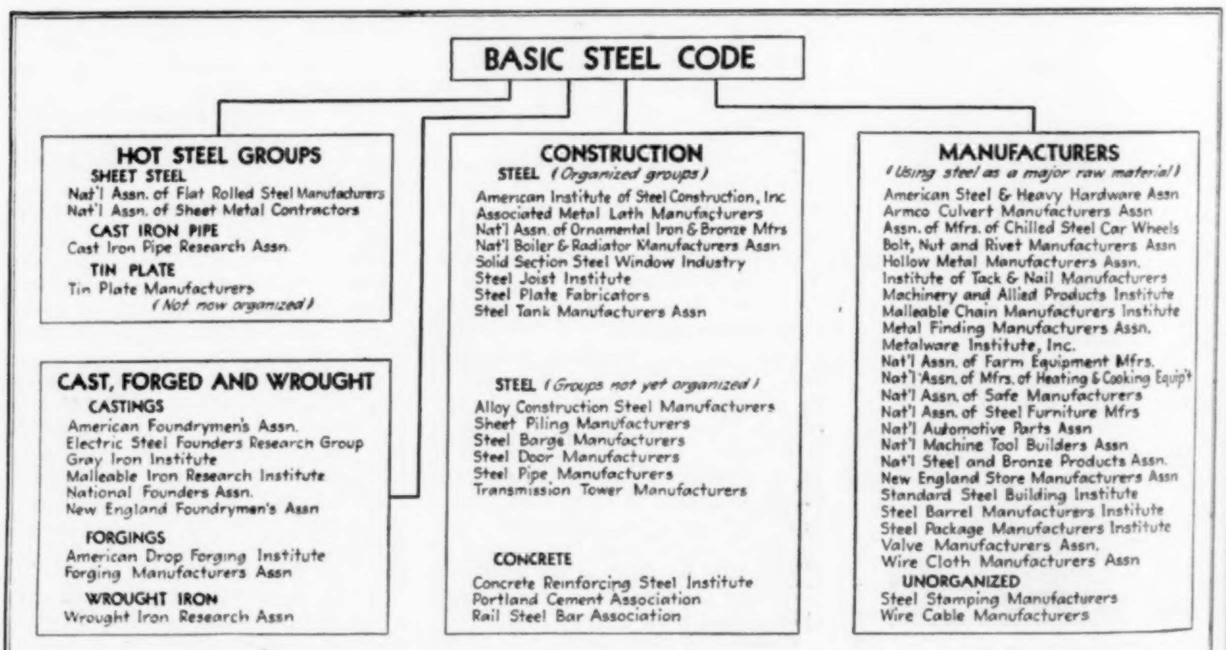
With Washington urging industry into action on the recovery program and considering drastic action itself to insure a response, big industrial groups came in with their codes before the end of the week. First to step up were the electrical manufacturers, the lumbermen and the shipbuilders, the latter asking a decision on wages and hours before July 26, when bids on the Navy's new ships will be opened. Steel polished up its fourth draft after 3 earlier ones had been returned for better coverage and amplification of essential points. Unlike the cotton-textile industry, these code-makers included with their labor clauses provisions designed to take advantage of the opportunity afforded to remold trade practices.

The 25 organizations of producers affiliated with the National Lumber Manufacturers Association, the 2 national organizations of distributors, and the wholesale and retail dealers who cooperated in lumber's effort have probably reached the farthest north in code-making.

They propose wages ranging up from 22½¢ an hour according to location and type of lumber with a maximum week of 48 hours in most territories, of 40 hours in some. It would leave the door open for exemptions in cases of seasonal employment, though maximum hours could not be exceeded for more than 6 months a year. An Emergency National Committee, with the approval of the NRA, would establish production quotas on the basis of shipments, existing hourly capacity and minimum prices. The latter are to be gauged to meet costs but due regard is to be given to competition between species and divisions and with products of other industries. The lumbermen propose to compete among themselves on one basis but want some freedom to disregard minimum prices when competing with the products of other industries.

They received 2 replies from General Johnson: (1) Hearings will begin July 20; (2) their hour and wage schedules are "wholly unacceptable," their production quotas and minimum price scales will have to be justified before the code can qualify.

The National Electrical Manufacturers Association makes a simpler, perhaps more practical approach to its problem in a code that is believed to have a fair chance for approval substantially as submitted. It provides for



Business Week

CODE AND EFFECT—These major trade groups will be influenced by the trade code of the American Iron and Steel Institute. Its provisions for labor and trade practices will be reflected throughout the list.

Globe

DEPUTY—Malcolm Muir, president of McGraw-Hill, who was drafted by NRA to serve as deputy administrator on General Johnson's staff.

a minimum wage of 35¢ an hour, a maximum work-week of 36 hours, with casual and incidental labor limited to 5% of total payroll. Uniform cost accounting, statistical information and balance sheets must be provided, selling below cost is barred and the published price lists of members of 8 established product groups become the basis for all quotations. The association proposes to supervise the code for the whole industry with each of the 8 product groups to have a separate administrator for its own membership.

Steel's Difficulties

Knowing that its particular code, when, if and as adopted by the industry and approved by the Administration, will serve as the master code for the entire steel industry, the American Iron and Steel Institute has labored for weeks to draft an instrument that would stand the test. There is general agreement that a code, to be acceptable to the industry, must protect beyond all reasonable doubt the "open shop" system of operation. Labor's revived interest in the steel industry as a fallow field for organization has stirred up the plants. Much difficulty has been experienced in fixing maximum work hours. Blast furnace and other processes in the steel industry cannot be turned on or off at will, since starting them up involves costly preparations; so, to avoid extra costs, schedules must provide for continuous 7 days-per-week operation. As a system of weekly shifts cannot be worked out economically under these conditions, maximum working hours may be established on a monthly basis.

Officials of important units of the steel industry are agreed that the cotton-textile code offers them no precedent. Some of them express their meaning more clearly by saying that it looks as though the textile men had sold their birthright for a mess of pottage by agreeing to labor policies that will materially increase their production costs without getting compensating concessions. Steel men think that there should be a specific return in approval of proposals to stabilize production, improve trade practices, insure invested capital the same degree of security as is granted to labor.

Older heads who remember the famous luncheon meetings that received such close attention from the government some 20 years ago look upon NIRA with frank apprehension. They are worried about what they interpret as Washington's vacillation on policies. They complain for instance that it is difficult to reconcile General Johnson's activities with the announcement by Attorney-General Cummings that the Department of Justice will actively investigate price raising.

Public Works

At last the public works program gets under way, and Roosevelt says it will be pushed hard, but no dirt will fly for 30 days, and the board seems overcautious.

WASHINGTON—After a month's delay, the public works program got started this week, but it will be another month before dirt flies on the job. Federal and state laws almost invariably require 30 days' advertisement prior to award of contracts. Hence, it will be the middle of August before there is any activity other than road and naval construction, which was specifically provided for in the law.

The $400-million road fund has been allotted among the states and in New York, Massachusetts, Ohio, and Utah may be converted into contracts shortly as these states have been authorized by the public works board to go ahead pending final approval of their plans.

A list of federal projects has been selected by the board totaling $66 millions distributed among all government departments and agencies, many of which have been chafing at the delay on releasing projects which were sifted even before the Recovery Act became law by Col. Donald H. Sawyer, then chairman of the Federal Employment Stabilization Board and pro-tem administrator of public works until President Roosevelt named Secretary Ickes July 8. Col. Henry M. Waite was named deputy administrator July 11, and it is expected that Col. George R. Spalding and Colonel Sawyer will be retained in executive capacities.

The federal program will be expanded later when the board has had more time to study the character of projects that it regards as coming within the scope of the law. Except for projects inherited from the R.F.C. that are eligible under the more liberal terms of the new law, state and local plans now ready must wait until passed on by regional administrators to the Public Works Board in Washington.

It is understood that the regional plan of administration was adopted in an attempt to kill off the rivalry fomented by President Roosevelt's decision June 16 permitting politics to influence the appointment of state administrators. A slate previously drawn up by Colonel Spalding, who was placed in charge of the organization by General Johnson prior to enactment of the law, was discarded because of protests from senators, congressmen, and governors with an eye on patronage. Mr. Ickes apparently has convinced the President that it will be a simpler matter to appoint ten or a dozen men than 48. State advisory committees of 3 loyal citizens will be named to aid the regional administrator in the selection of projects.

Cautious Policy

President Roosevelt has silenced the report that the public works program would be held down in view of the pickup in business, but the cautious policy of the Public Works Board now bids fair to have the same effect. Projects will not be financed by the federal government unless the board is satisfied that the states and municipalities proposing them are conscientiously trying to balance their budgets. The government expects all loans to be repaid, with 4% interest, within the life of the project, but in 30 years in any event, the federal grant of 30% of the cost of labor and materials is losing its attraction because it is estimated that this will be largely swallowed up by the additional cost entailed by the 30-hour week and the requirement that total wages, for the hours of work as limited, must provide a decent standard of living.

Refrigerators Up

Like the automobile, the mechanical refrigerator has put an unseasonal peak on the sales curve. May was the best month ever.

REFRIGERATOR makers are as happy as the automobile makers. Both are hopefully watching a seasonal sales curve which defies tradition by turning up when it could be expected to go down.

Figures from the Edison Electric Institute for the first 5 months of the year reveal the cause of hope:

Electrical Refrigerator Sales

1932		1933	
January	33,169	January	18,755
February	44,721	February	35,394
March	82,147	March	58,494
April	146,198	April	120,917
May	131,946	May	212,770

The merry month of May, incidentally, sets a record, the best previous single month's sales being 'way back in April, 1931, when 156,248 units were packed off to the kitchens. June figures are not yet available, but reports from the field indicate a total probably as good as May's, possibly a little better.

Kelvinator proudly announces that orders in June totalled 44,525, which is more than the all time record chalked up in May of 43,357 shipments. H. W. Burritt, vice-president in charge of sales, likens the new sales curve to a "high plateau" without the usual "distinct peak in April, tapering off in May and decided drop in June." Kelvinator is capitalizing the curve with the greatest midsummer sales and advertising campaign in its history.

Summer Campaigns

Frigidaire, according to E. G. Biechler, president and general manager, increased household refrigerator business 42% in May and 48% in June over the same months of last year. Convinced that the usual summer slump can be lifted, the company is embarking on a whirlwind sales promotion program spending about $670,000. Frigidaire executives are now touring the country telling the 15,000 dealers and salesmen about their profit possibilities.

Westinghouse officials think this may be the industry's big year. R. G. Cosgrove, manager of the refrigeration division, says: "Sales so far indicate that Westinghouse in the refrigeration industry is headed toward a highly satisfactory year." Recent months have been the best since the company entered the business.

Price trends are generally upward. Kelvinator advertised an increase recently, confirming the warning in its earlier copy that rising materials costs would soon force prices up. Majestic has joined the move. Westinghouse raised prices on some models some time ago. Frigidaire, Chevrolet of the field, says flatly that present prices will stand, but new models just introduced would seem to indicate what is in effect a price rise by trading up within the line.

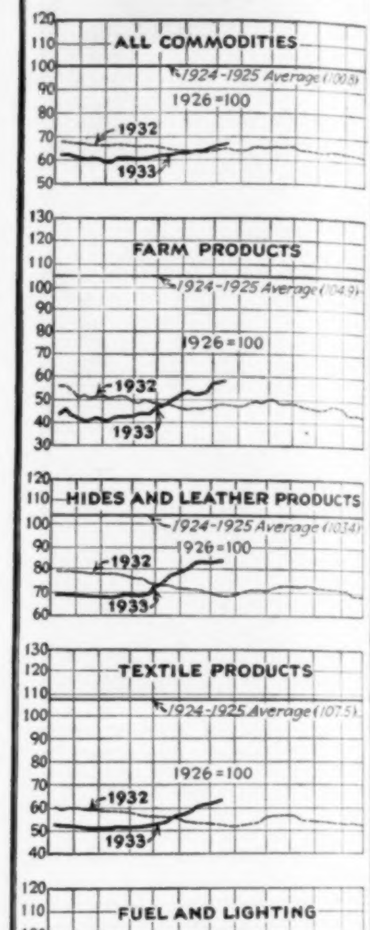
Painful Sales Tax

Michigan, too, fears sales tax will drive trade over borders. Detroit merchants fit collection plans to type of business.

MICHIGAN has just put into effect a 3% retail sales tax which, because of its broad interpretation by the state board of tax administration, is causing concern among Michigan manufacturers and is certain to result in court litigation unless present rules are modified. The board has decided that a tax must be paid on a transaction involving the sale of goods by one manufacturer to another for use in the latter's product. An automobile parts company with a plant in Michigan, for instance, must pay the tax on sales of its articles to a Michigan automobile builder. The Michigan Manufacturers' Association claims this will mean a loss of $20 millions a year to competitors outside the state; the Detroit Board of Commerce declares it will impose a heavy handicap in securing new industries.

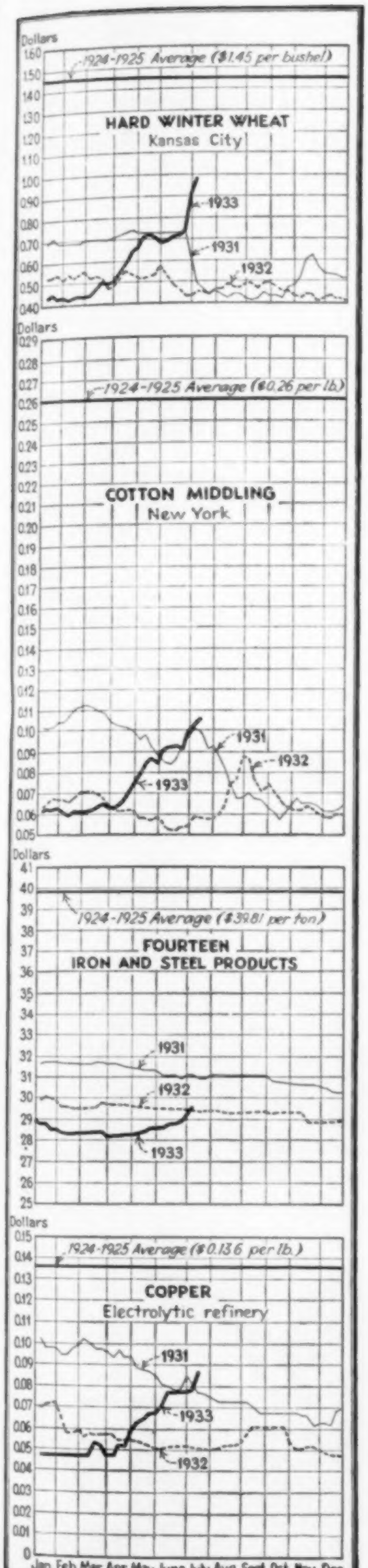
The law provides that each of the state's 55,000 retail merchants must secure a $1-a-year license to operate, must collect a 3% tax on gross sales from 4,600,000 consumers. The tax was imposed to raise $32 millions annually. Detroit merchants have united in adopting a plan for collection of the tax which divides stores into 2 groups. Department, clothing, furniture, and other stores handling relatively high-priced merchandise will impose no tax on articles selling for less than 17¢, will add 1¢ for every 33¢ of sales price on all other goods, the tax appearing separately on the bill.

The public suspects that stores adopting the mark-up plan will take advantage of the situation to get additional profits, though merchants emphasize that severe competition will prevent this. The point is that no one, neither the merchants nor the public, wanted the tax, but the legislature seized upon it as the easiest and surest form of revenue-getting.



Business Week

PRICE GOAL I—While last year's level has been exceeded in most cases, latest figures on the upturn show there is a long way to go before the Administration's goal of 1924-25 levels is reached.



PRICE GOAL II—Individual commodities have pushed across both the 1931 and the 1932 line with the exception of steel products, where decline was less precipitous than in other raw materials.

Railroad Brain Trust

Coordinator Eastman sets up an idea laboratory. One idea wanted: how to bring l.c.l. traffic back to the rails.

AN idea laboratory is included in the plans that Joseph B. Eastman, Railroad Coordinator, is developing to increase the operating efficiency and economy of the railroad transportation machine. In his first statement of plans, Mr. Eastman indicated that one of its early jobs will be to produce ideas on how the railroads can recover traffic lost to the trucks and other competitors—particularly the less-than-carload traffic that has taken to the highways.

While regional directors wrestle with the carriers' committees on plans to co-ordinate operations in the East, South, and West, Coordinator Eastman's own organization in Washington will study the modernization of freight and passenger service, standardization of railway purchasing practices, and car pooling. A separate staff will be detailed on research into transportation conditions generally with a view to recommending to the President and Congress next January legislation of a more permanent character than the emergency law which expires a year hence.

Congressional Handicap

The coordinator's regional organizations will pace the railroads in carrying through proposals for unification of terminal operations, joint use of shops and other facilities, pooling of train service, and elimination of circuitous or otherwise uneconomical routes. The extent to which this co-ordinating program can be carried is limited at present, however, by the mandate of Congress which prohibits cutting payrolls below the May level. The regional directors will be assisted by traffic experts and other specialists. They may investigate conditions independently of the regional committees organized by the carriers but in the final analysis must work with them as Coordinator Eastman cannot issue any orders unless the railroads fail to act either on their own or on his recommendations.

In grappling with the problem of diversifying railroad service to cope with conditions bred by truck and barge competition, the idea laboratory will dig into the value of utilizing container cars, demountable truck bodies and other new-type equipment, reducing the weight of equipment and integrating the services of the express companies, the car-forwarding companies and trucks as auxiliary to or substitutes for rail service.

Consideration will be given to the feasibility and desirability of pooling all or any kind of equipment and employing other means to reduce empty-car mileage or improve car-repair practices. The car rental system also will be scrutinized. Condemned by the I.C.C. as frequently extravagant and preferential of firms which have something to ship as well as sell, the railroads' purchasing methods will be raked over with an idea that they may be regularized and simplified. The commission's "service bureau" will continue to nose into allowances made to shippers for services, and into services which the railroads perform for shippers with or without charge.

To direct the regional organizations the coordinator has picked Harlan J. German, of Pittsburgh, president of the Montour Railroad, an old Burlington man who served as assistant manager of the car service section of the Railroad Administration in 1919-1920; Victor V. Boatner, president of the Chicago Great Western, who grew up on the Illinois Central; and Clarence E. Weaver, of Savannah, general manager of the Central of Georgia.

Eastman's idea men are John R. Turney, of St. Louis, vice-president in charge of law and traffic of the Cotton Belt, who will head the freight service section; Olin C. Castle, of Houston, superintendent of transportation on Southern Pacific lines in Texas and Louisiana, in charge of the car-pooling section; and R. L. Lockwood, of the Division of Simplified Practice of Bureau of Standards, who will direct the section on purchasing methods.

More Personnel

Research on larger questions of policy will be entrusted to Otto S. Beyer, of Washington, who as a consulting engineer has dealt with railway labor relations; William B. Poland, New York consulting engineer and a member of the Kemmerer Commission specializing on railway finance and reorganization; Leslie Craven, Duke University law professor and valuation counsel associated with Western roads; and Fred W. Powell, senior staff member of the Institute for Government Research and associated with Dr. Harold Moulton, president of Brookings Institution, in the report made a year ago for the Coolidge Committee on Transportation. This group will explore problems related to railroad reorganizations and consolidation; the conditions likely to surround railroad credit in the future; control and improvement of labor conditions and relations; the government's relation to the railroads and possible changes in regulation, the regulation of bus, truck and other modes of transportation, and

the coordination of all transportation agencies.

Sitting offside with duties only vaguely defined as yet, is a presidential advisory committee on transportation which includes Coordinator Eastman, Frank McManamy, of the I.C.C., Jesse Jones, of the R.F.C., representatives of the Commerce and Agriculture Departments, and the chairmen of the congressional committees on interstate commerce.

L.C.L.—O.K.

Coordinator Eastman's new "idea trust" gives a boost to the freight container systems.

FREIGHT container advocates have a new salesman. His name is J. R. Turney, vice-president of the Cotton Belt.

In appointing Turney to the very important freight service section of his "idea trust," Coordinator Eastman remarked significantly that he would deal with the "modernization of freight service to meet changed conditions brought about by competition of the railroads with motor trucks . . . Especially," the railroads' severest critic continued, "with methods of handling less-than-carload freight, including the utilization of containers, demountable truck bodies, and similar equipment."

Containers for less-than-carload freight are not new.

However old, the railroaders and shippers have continued to think of container service as something new and untried. Here and there, progressive roads have installed the service, but even the most obvious advantages have failed to move reactionaries; the system has not yet come into its own.

Steady Improvements

Ideaman Turney has many arguments. The use of containers makes the motor truck an adjunct rather than a competitor of the railroad. By dividing a box car into container units, loading and unloading are speeded up, pilferage is stopped, loss and damage claims are reduced. Small shippers and small towns can get big-shipper carload service.

Container systems are continually improving in usefulness and operation economy. Expensive gantry cranes are no longer needed. Dropside cars bridge the gap between car and loading platform so that little lift trucks can slip under them, slide them on and off car and motor truck with ease and a minimum of labor.

Containers for merchandise freight were the first, still constitute the greatest argument for using the system. They make store-door delivery possible, whether called l.c.l. containers or demountable truck bodies. They may now be had with insulation and refrigeration to give refrigerator car service for small lots now being trucked over the road. These refrigerated units make possible the handling of produce from shipper to consignee without touching the meats, fruits, or vegetables or interrupting the continuous refrigeration by trans-shipping. They may be used as storehouses or show cases until the produce is sold.

More recent, equally interesting in their possibilities, are the bulk materials containers. Brick containers, in use for years, have proved themselves. They hold 3,000 ordinary bricks thrown in at random, which is just a truckload. A container gondola carrying 12 such units has more than double the capacity in the same rail space as the ordinary box car. To unload that box car by hand (the only way) takes 2 days. Containers, one to a truck, can be dumped in a few minutes and with less damage. Hand labor is eliminated from the time the bricks leave the kiln until they are placed in the mortar.

This same container is used to transport crushed rock or refuse rock for fill. Cleveland's breakwater was built with such containers filled 38 miles away, carried by rail and barge to the cribs. A variation of this type, with waterproof top and bottom, is used for transporting lime, tripling the capacity of a car and saving the expensive and unhealthy hand shoveling.

An anthracite company, facing mine-truck competition, is using a container for hard coal which is loaded with specified weight and grade at the mine, carried by train to the dealer, who puts it on a truck and dumps it into the ultimate consumer's bin. This packaged coal, devised by Donald Markle, president of Jeddo-Highland Coal Co., makes it possible to load different sizes in the same car. Dealers, not having to take a whole car of a little-used size, save carrying charges and heavy storage expense. In fact, the containers are their own storage pockets, make unnecessary the heavy dealer expense for coal pockets.

Still another type of container has been developed for cement in bulk which uses air for unloading, saves much of the handling expense.

Business Week

PACKAGED COAL—These L.C.L. containers are filled and weighed at the mine, carried to the dealer by rail, dumped into the cellar by truck. They save handling and storage overhead, make possible rail competition with mine-truck coal.

Reopened Banks

Rising commodity and security prices together with accelerated Treasury Dept. efforts reopen many banks, cut frozen deposits from \$5 to \$2½ billions.

WASHINGTON—Oxygen in the shape of higher commodity and stock prices, and the promise of a flood of federal money to bail the banks out of farm and home mortgages have resulted in the closed bank problem moving over to the "point with pride" column of Roosevelt Administration achievements within the last few weeks.

July 8 the situation was as follows:

National banks unrestricted 4,920
With deposits of \$16,834,638,000

National banks still unlicensed 976
With deposits (per Dec. 31 call) ....\$ 1,090,088,010

Member Reserve System banks other than national banks, unrestricted 704
With deposits of ....\$ 9,663,000,000

Still unlicensed 117
With deposits of ....\$ 312,000,000

Non-member banks, exclusive of Mutual Savings Banks:
Unrestricted 8,168
With deposits of ....\$ 5,071,774,000

Still unlicensed 2,016
With deposits of ....\$ 1,072,883,000

Mutual Savings Banks (all outside federal control).........578
With total deposits of ....\$ 9,801,005,000

Summarizing, then, the amount of deposits frozen in commercial banks has decreased from an estimated \$5 billions to about half that figure.

The Savings Banks

Most of the mutual savings banks are in New York, where about \$5 billions of the deposits are, and New England, with nearly \$3 billions more. Fairly large ones in Philadelphia and Baltimore almost make up the picture. None of these, practically, is in the 100% closed class. Nearly all of them opened up with restrictions as to amounts of withdrawals at once, and most of them are subject to very little restriction now.

The worst spot in the whole situation still is Michigan. Wisconsin is about to move into the best seats, as the Morgenthau Farm Mortgage system has already made \$35 millions available for that state from its St. Paul office. This money will actually go to the banks, the government agency taking over the mortgages. While most of this will go to non-member banks, this is the weakest class, and it is figured that the money will do the most good there. The net result will be that the banks will have money to loan for the first time in quite a period.

The same golden flood will next be turned on Illinois, according to present plans, and will follow to other states in the very near future.

Meanwhile, rising commodity prices, particularly of wheat, and rising prices for stocks and lower grade bonds held as collateral have worked wonders for the banks still in the restricted class. It has cleared the way for their opening.

W. J. Cummings, Assistant to Secretary of the Treasury, pointed out to *Business Week* that while the number of banks still closed remains large, the fact is that a very large proportion of them have had plans for their opening approved, so that only a certain amount of detailed work remains before they are added to the list of unrestricted banks.

Mr. Cummings points out as interesting that among the Reserve System members the ratio of open banks, measured in deposits, to those still closed is approximately 16 to 1, whereas among non-member banks the ratio is only about 4 to 1.

Incidentally Mr. Cummings' department is getting ready for what it expects to be a wholesale movement into the Reserve system by the non-member banks before the end of the year. This, he anticipates, will be largely because of the deposit insurance feature. He expects very few banks to remain outside the system.

President Roosevelt, it is learned, is backing Mr. Cummings heartily in his resistance to various plans which the Treasury has regarded as unsound. This has had a lot of political complications. Governor Comstock, of Michigan, and a strong group of senators insisted on opening up closed banks on the "Michigan plan."

The part of this plan which caused its veto primarily was the "scrip" idea. This was to be given depositors in exchange for what was to be classified as "slow but sure" assets, and was supposed to circulate locally as money.

Mr. Cummings and his associates feared that this would result in a heavy loss to the depositors. It was thought the depositors, anxious for ready money, would sell this scrip far below its face value. More than that, Cummings minced no words in insisting that this idea contained a scheme for letting bank stockholders out of their double liability.

Cummings himself is proud of his job. He thinks the whole closed bank situation now is in fine shape.

Michigan is still a sore spot, he admits, but the bad spots around Spokane and Indianapolis have been corrected, while California has been pulled out of the fire nicely.

Truth in Securities

Regulations of Federal Trade Commission designed to protect the public but impose no undue burden on issuers. Compliance with the law is no criterion of merit.

WALL STREET, which had read all kinds of terrors into the new Securities Act, effective July 7, grudgingly admitted that some of its alarm had been unnecessary when the Federal Trade Commission issued its administrative rules and regulations.

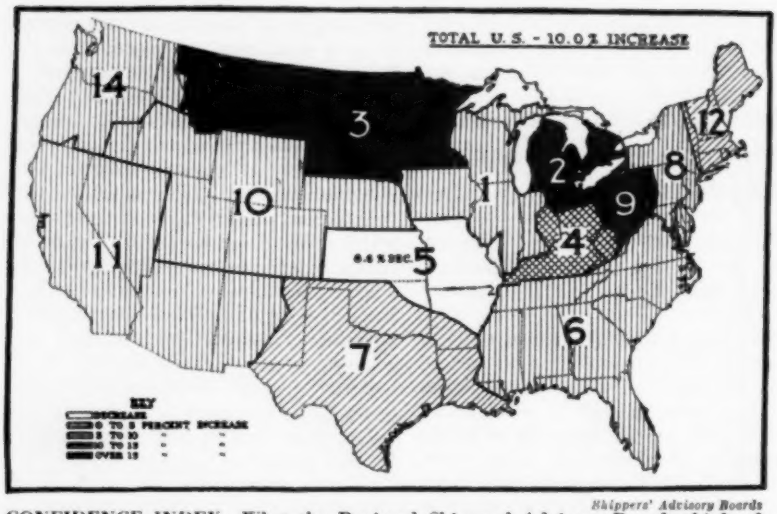
The commission asked cooperation of Wall Street experts, including some of the leading accountants. The result seems to be a workable set of regulations. The commission obviously tried not to place any undue burden either upon general business or upon investment dealers.

One rule insists every advertisement or prospectus state clearly that the fact that the commission has received and examined the required registration does not imply governmental approval of the stock or bond offered for sale. The buyer must still do his own bewaring.

The public may obtain copies of statements filed with the commission—at 20¢ a page for photostats and 15¢ a page for mimeographed copies, payable in advance.

Most of the rules are mandatory under the act; wherever the commission had discretion, its rules are frankly experimental, subject to later amendment in the light of experience.

Besides filing certified forms by corporation officers and at least three-fourths of the directors, the rules and regulations provide for additional and supplemental information and amendments which also must be signed by the principal executive officers, financial officers, the comptroller, and the ma-



Shippers' Advisory Boards

CONFIDENCE INDEX—What the Regional Shippers' Advisory Boards think of the immediate future. Freight car requirements for the third quarter of this year, as furnished to the American Railway Association, anticipate an average 10% increase over last year in the movement of the 29 principal commodities.

jority of the board of directors. The commission will not recognize a certified accountant unless duly registered in the state, and if he claims to be independent, he must be so in fact. A certified accountant must certify that he believes the correctness of his certification, that there is no omission, and if he is unable to satisfy himself of the correctness of any items he must refer to such items and give an appropriate explanation. If an accountant subsequently discovers important misstatements or omissions, he must promptly bring them to the attention of the commission.

A prospectus may be issued in condensed form and need not follow the numerical sequence of the items required in the registration statement, but such condensation or rearrangement must not omit material or necessary information, and the other statements in the prospectus must not be misleading. Any prospectus issued without a registration statement must be filed with the commission. Radio broadcasts must be reduced to writing and also must be filed with the commission.

If the security contains the usual gold clause, it must also show that the obligation may be paid in any coin or currency which at the time of payment is legal tender for public or private debts.

The registration questions asked call for a mass of technical information closely following the demands made under Schedule A of the Security Act. For instance, some of the law's requirements are: names and addresses of all persons owning more than 10% of any class of stock of the security issuer; remuneration exceeding $25,000 paid by the stock issuer during the past year to directors and officers; and the estimated net proceeds.

Paper Gardens

International Paper Co. pushes paper patterns and protection for flower beds, all in one ingenious package, based on scientific research.

MULCH paper cover as a stimulator and protector of food plants has been growing in importance. It now emerges from the experimental stage into a new field—that of flower growing. The innovation makes strange garden bedfellows. Through the Pattern Gardens of International Paper Co., seed and fertilizer are combined with paper in a hitherto unknown community of interest.

Pattern Garden sets make composite flower beds 1½ to 3 ft. wide and 12 ft. long. A plot this size is prepared with the fertilizer, is covered with the black mulch paper. The paper is divided into numbered sections in each of which is a series of holes. These numbers correspond with those on the seed packages. Thus seed from package No. 2 is planted through the holes in section No. 2 on the paper. The plants grow up through these holes. The combinations were prepared by experts to insure a proper combination of color, height, and blossom rotation. They have especial appeal for the beginner in gardening.

Pattern Gardens retail from $1 to $2 each. They were put on the market for the first time this year, being sold through Sears, Roebuck and large department stores in different cities. Convinced of the idea's value, International Paper recently took over complete assembly and sale of the sets from the Otwell Pattern Gardens Co., Detroit. The scheme originated with Ralph Otwell, Detroit mechanical engineer, who did a bit of horticulture on the side. He interested International Paper, which furnished mulch paper for the sets. International will further develop the idea, plans to have national distribution by the time hens begin scratching next spring.

Mulch paper kills weeds, attracts and holds heat because it is black, prevents water evaporation, releases moisture gradually to plant roots. The insulation permits earlier planting of flowers; heat retained in the ground causes growth through the night. Mulch paper has for several years been an important division of International. Federal and state experiments have improved processes and discovered new uses. The black mulch paper is now used for all sorts of vegetable and nursery production.

International purchased sale and manufacturing rights to the paper from Charles F. Eckart, its inventor. As manager of a Hawaiian sugar plantation Mr. Eckart introduced the use of paper covers and revolutionized growing practices. Tropical weeds were the curse of the fields. Trash from past crops had been spread between rows but this soon rotted and the weeds pushed through. In 1914 Eckart tried paper impregnated with asphalt. The young sugar cane shoots pierced through; weeds, denied the sun, died. Now 92% of Hawaiian pineapples are also grown that way. The industry has spent $500,000 a year for mulch paper. This cost is justified in a 30% increase in yield, and a huge saving in hand labor for weed chopping.

Sealed Sundae

Cleveland gets ice cream with the syrup on the inside.

ICE cream can be as continuous and automatic as newsprint paper or bricks or steel sheets, and to the continuous freezer has now been added a device which incorporates a fruit syrup in the center of the extruded bar. A hundred Cleveland dealers are now the outlets for A. E. Herron's ice cream roll with the flavoring at the core instead of on the outside.

An invention of Herron's, manufactured in Sandusky and Cleveland by the Industrial Appliance Co., introduces the flavoring material through a tube into the center of the bar as it comes from the freezer. Possibly as fundamental as the cone or the chocolate-covered bar, the new cream called for new packaging. Five-cent bars are cut off automatically and wrapped in wax paper, the eater peeling the paper down like a banana skin. About 25 machines are in use in other cities.

102 *years* of experience have taught International Harvester that

DEPRESSION TIME IS NO TIME TO MARK TIME

In a time of industrial stress two courses are open to a business organization. It can abandon the field of action, crawl into the cyclone cellar, and begin an endless period of WAITING. A costly course, because to stand still is to fall back.

OR—it can continue to build for an inevitably larger future.

International Harvester, during these recent years of reaction, has taken the broader view—a course made easier perhaps by the perspective and experience of its own 102 years of history.

International Harvester occupies a position of major importance in the manufacture of motor trucks, industrial power, and agricultural equipment. In these three fields in these trying years the management of this Company has followed an aggressive program, pioneering new developments and improving its many well-known products.

Some of the outstanding industrial products developed by the Company since 1929 are shown here. *These are products highly qualified to aid in any private or public program of reconstruction.*

If your new plans call for motor trucks and industrial tractors built for today's exacting needs, find out what *International Harvester* has to offer you. Call one of our branches or dealers. Write us for specific information.

INTERNATIONAL HARVESTER COMPANY OF AMERICA (INCORPORATED)
606 S. Michigan Ave. Chicago, Illinois

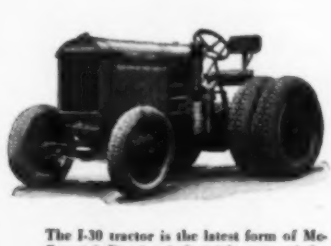
Recent Achievements of International Harvester Engineering:

In this Half-Ton 6-Cylinder Truck for light-delivery, International this year has set a new standard in style and performance. The chassis of this truck, Model D-1, sells for $360, f. o. b. factory.

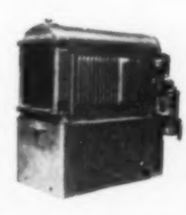
International has recently announced a remarkable 2-ton value in the Model B-4. The 145-in. wheelbase chassis sells for $1045 f. o. b. factory. There are also 1½ and 3-ton models.

Impressive heavy-duty truck values were presented last year in the powerful 6-cylinder 5 to 7½-ton International Models A-7 and A-8. Built in four wheelbases, for heavy dump, tractor trailer, and cross-country service.

The two McCormick-Deering *TRACTRACTORS*, T-20 and T-40, announced in 1931 and 1932, have proved a sensation through *remarkable accessibility and low maintenance cost.* And now, in *DIESEL* power application to McCormick-Deering tractor design, International Harvester takes another forward step. The large TracTracTor shown is available powered either with a Diesel engine or a 6-cylinder gasoline engine.



The I-30 tractor is the latest form of McCormick-Deering industrial power of the wheel type. McCormick-Deering industrial tractors are the standard of versatile and economical power. International Harvester is the world's largest tractor builder.



The McCormick-Deering power unit is available as an independent power plant or as an integral part of high-quality equipment. Four sizes ranging from 25 to 50 horsepower, including one with Diesel engine.

INTERNATIONAL HARVESTER

Commodity Dollar

Roosevelt's message to the London Conference presages a "rubber" dollar as proposed by Messrs. Fisher, Keynes, Warren, and Pearson.

SAYS President Roosevelt: "The United States of America seeks the kind of a dollar which a generation hence will have the same purchasing and debt-paying power as the dollar value we hope to attain in the near future. That objective means more to the good of other nations than a fixed ratio for a month or two in terms of the pound or franc."

The President's proposal that the dollar purchase at all times the same amount of goods is a concept of a commodity Utopia that is not new. Prices have always changed hourly, daily, seasonally, and from year to year. These changes affect the relationships of every person, corporation, and nation.

If price changes are gradual, adjustment is made with little or no friction, but violent changes cause so many injustices between people that a stable price level has ever been the goal of economic idealists.

Orthodox economists look upon prices as guides to production and consumption. The only way that a farmer can tell whether he shall grow wheat or peaches is by the price level. Prices tell the young man whether he should become a farmer, a miner, an automobile mechanic, or a doctor. Prices also are a guide to consumption. They determine the choice of the housewife between lamb chops and steak; of the farmer who chooses between an automobile or a new dining room set; of the manufacturer who chooses between natural gas and bituminous coal.

Broad Averages Count

Any agency that attempts to regulate individual prices must regulate consumption and production and in the end will find itself regulating every human activity. Orthodox economists shrink from the complexity of that task—and the chaos if such regulation should prove ineffective.

But a stable price level does not mean stability in prices of individual commodities. It is not proposed to destroy the regulative influence of price on any one commodity, but to remove the destructive influence of changes in the entire price level. The long term fluctuations in general price levels are not the resultant of production and consumption but are purely currency problems.

For example, if the price of hogs should decline it might mean either that a surplus of hogs has been produced or that consumption of hogs has suddenly fallen off, or shifted to some other commodity—say beef. But if during the same period that hog prices are falling, there is also a decline in beef prices, in lumber prices, in the price of coal, sugar, silver, silk, and a score of other commodities, then obviously hog prices are being depressed by a force affecting all commodities. That force, according to this school of economists, is money. By adjusting money, it is argued, the general price level may remain stable, though individual commodities would continue to fluctuate in consequence of supply and demand.

4 Variables Involved

Prices, according to this group of economists, are determined by 4 variables, not 2—the supply and demand of the commodity, and the supply and demand of money. If gold is the money to be used, then the supply and demand of gold for money enters into prices. If gold is fixed so that 23.22 grains is worth $1.00, then all commodities must vary in price according to the quantity of gold on hand. The currency economists would make gold a variable in terms of the general price level.

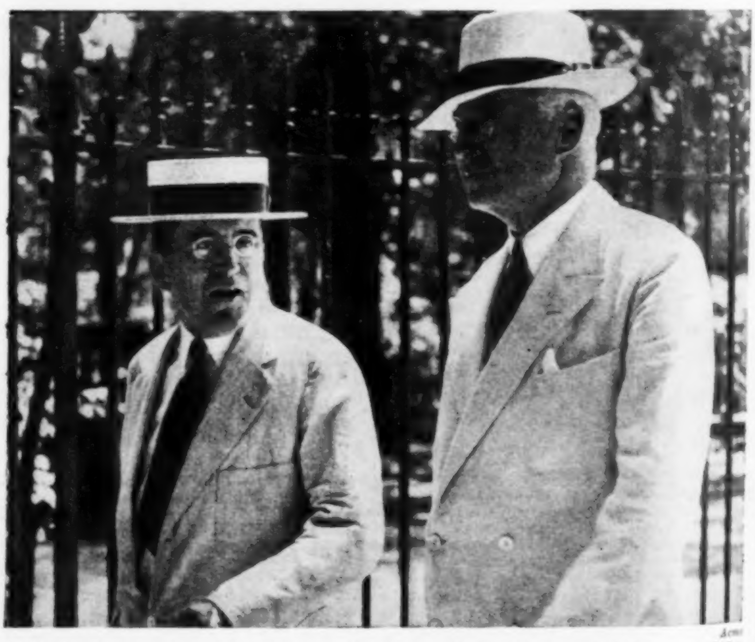
The managed currency economists argue that the intermittent and fortuitous gold production, sometimes larger than the money demanded by the physical volume of production and sometimes lagging behind it, has always made for the wide fluctuation in general price levels.

This is not a simple thing to prove—to show the relationship between the supply of gold, the demand for gold as money, and commodity prices. Any such figures must show the amount of gold that goes into the arts, establish a ratio between the amount of gold available for monetary purposes and the need for such gold as shown by the physical volume of production, and must be corrected when more efficient use of monetary gold is devised, as when the Federal Reserve system in the United States was established, which reduced the gold reserve requirements for money in circulation. The figures, ratios, and calculations are complex, but they make out a good case for the argument that when the world monetary stock of gold increases at the same rate as the world physical volume of production, prices remain stable. If the gold stocks increase more rapidly than other things, prices rise; if they increase less rapidly, prices fall.

3 Categories of Plans

The proposals to provide for an adequate currency which would stabilize general price levels may be divided into 3 classes, although the 3 methods are not necessarily antagonistic, but may be used in combination.

(1) An important group of economists would provide an adequate currency by supplementing gold with some other metal, usually silver. Bimetallism has been tried in this country and in



Acme

INSIDERS—On the right side of the White House fence, Fred Livesey (left) State Department economic adviser, and Bernard Baruch, who now has a post in the State Department, leave a conference with the President.

other countries. Sometimes it worked; sometimes it didn't. Whenever a government-fixed ratio between gold and silver in one country got out of line with the market or the legal ratio elsewhere, the system broke down. Either the gold or silver would fly to the better market.

Symmetallism Suggested

It is now proposed to substitute for bimetallism, symmetalism, whereby the monetary unit would have a certain amount both of gold and silver. As suggested by Marshall, a given amount of money would be exchangeable for a given weight of gold plus a given weight of silver, regardless of the value of either. Its value would not be dependent upon accidental discoveries of a single commodity. The flight of gold or silver would be greatly hampered, whatever the premium abroad, for only a smelter could separate the silvery-gold metals.

(2) The compensated dollar, as proposed by Irving Fisher, and Profs. Warren and Pearson, of Cornell, proposes to establish a scientific measure of value. The gold dollar would not have a constant weight with variable purchasing power, but would become a variable weight of gold with a constant purchasing power. This proposal lets the weight rather than the value of the dollar vary. With such a system there would no longer be any coinage of gold. The government gold supply would be kept in gold bars. The actual currency circulation would be the same as at present, that is, paper dollars and small coins, and the currency would be exchangeable for gold on demand as under the gold standard, but the amount of gold that a dollar would exchange for would vary with the price level.

Broad Index Needed

Such a commodity dollar would prevent deflation within a nation when there is an unfavorable balance of trade. It would enable one to borrow with a definite knowledge that repayment would be made with the same purchasing power. One important objection that has hitherto been made to this proposal is the fact that no reliable index figures are available whereby the compensated dollar could be measured. It might require an international commodity price index, perhaps supervised by the League of Nations.

(3) Another group follows Keynes, who proposes that the central bank keep gold reserves in bar form and regulate the price of gold as it now regulates the discount rate. The proposal is not unlike the Fisher proposal of a compensated dollar, except that the price of gold is to be regulated by the board of the central bank.

To this group should be added also the group headed by Cassel, the

Swedish economist who has demonstrated during the last 18 months that the Swedish price level may remain stable through central bank discount and open market operations. To some extent, the philosophy regulating commodity prices through bank credit has had an important place in financial circles in this country. In 1932, and again in the Thomas provision of the Agricultural Act, it was and is attempted to create bank credit through the open market purchases of the Federal Reserve bank.

Whatever plan is enacted, the immediately practical applications of Mr. Roosevelt's message to the Economic Conference are: (1) Inflation will be used to further stimulate prices; (2) higher commodity prices all over the world may be expected; (3) higher prices in the United States may be expected in the next few months; (4) devaluation of the dollar is plainly indicated and (5) the new price level probably equivalent to the 1926 price level, will be a basic level at which prices will be stabilized.

New Era Prices

Inflation, industry, and weather conspire to keep commodity prices rising.

EACH successive week the picture of the commodity price situation develops more colorfully as the brilliant hues of approaching inflation, increasing industrial activity are splashed on to the painting. Wheat prices have soared—partly because the depreciated dollar enables domestic producers to demand higher prices from exporters, and therefore compels domestic millers to bid a higher price. The weather has taken a hand and cut the wheat crop for 1933 to 496 million bushels, as against 726 million bushels in 1932 and 892 million bushels in 1931, fully 365 million bushels under the 5-year average ending in 1930. The 496 million bushel crop will be fully 115 million bushels less than domestic needs.

Wheat production in 9 countries that produce over 30% of the world's crop, outside Russia and China, is now forecast at 984 million bushels against 1,154 million harvested in 1932, and 1,422 million bushels harvested in 1931. The domestic caryrover, estimated on June 1 at 368 million bushels, therefore is likely to be sharply reduced, and prospects for still further reduction are in the offing because the Department of Agriculture shows no disposition whatever to alter the Administration's far-reaching program for reducing production. The program of the Department of Agriculture is to cut acreage in 1934 and '35. Finally, there is the prospect that the wheat conferees in London will agree upon some world acreage reduction and restriction of exports of surplus producing countries, thus reducing world stocks which on June 1 were estimated at 773 million bushels, against 737 million bushels a year ago.

July wheat has now risen to 99¢, which contrasts with 43¢, the low for the contract Dec. 28.

Other grains also are short but the rise in prices is less spectacular.

With the advance in wheat prices there have come advances in related products. Secretary Wallace is indignantly investigating a rise in bread prices in Iowa. Tugwell has placed a processing tax of 30¢ on every bushel of wheat processed after July 9. In conformity with the law he also has placed taxes on floor stocks on hand in mills, wholesale and retail houses. For example, flour in stock made out of whole wheat will have to pay 98¢ a barrel, doughnut flour will pay .4¢ a pound, bread will pay .48¢ a pound, and pretzels, that are as ubiquitous with beer as a hug is with a kiss, will pay .7¢ a pound. The Bureau of Internal Revenue has sent out forms to approximately 35,000 bakers, 5,000 retailers, and 4,000 millers.

Though the tax is less than ½¢ a pound on bread, announcement has been made by many bakers of increases of more than 4 to 5 times that much. St. Paul bakers have made advances of 2½¢ a pound; Iowa bakers, 3¢ a pound.

Corn with an estimated crop of 2.4 billion—433 million bushels less than 1932 and the smallest crop since 1913—has jumped to 60¢ for the nearby delivery as against 25¢ on February 28. All cotton deliveries are above 10¢ and the May, 1934, delivery is selling for 11½¢. Forwarding to spinners of 344,000 bales last week contrasts with 194,000 bales for the same week last year, and is a measure of the revived business activity. For the season, shipments to spinners have now reached 13 million bales—460,000 bales more than for the corresponding period last year. This figure is the more significant because the gain has been made wholly in April, May, and June. On Apr. 13, the season's shipment to spinners was 620,000 bales behind last year.

Coffee, rubber, raw hides, raw silk, wool, and sugar have made important advances. The wholesale commodity price index is at the highest point since November, 1931, and has gained 23% since the bank holiday.

Wide World

NEW COMMODITIES EXCHANGE—President Whitney of the New York Stock Exchange opened the Commodity Exchange. Trading in silk, rubber, hides, silver, tin, and copper begins on a rising market. The new exchange represents a merger of the old separate exchanges in the making for 2 years.

Not all is serene with the commodity situation. That domestic wheat prices are hopelessly out of line with prices in foreign markets is indicated by the fact that exports for the week ended July 1 were exactly zero, and that exports for the week ended June 24 were 3,000 bushels. During the week ended July 2 last year, exports were 1,798,000 bushels. For the season, wheat exports are 76 million bushels less than for the corresponding period last year.

Then there are hog prices which remain disappointingly low in spite of the advancing corn prices. Here is what Wall Street would call a good opportunity for a "straddle." Hog prices will either have to come up or corn prices will have to go down.

Prices Do Move

Here is the range in prices in 1933 of some of the more important commodities sold in New York. Wheat has sold as low as 62¢ and has reached a high of $1.13. The low for flour was $3.50 a barrel, and the high was $5.90. Butter on Feb. 1 was 16¢ a pound and is now 25¢. Eggs dropped seasonally to a low of 12¢ a dozen in June, are now 14¢, and were 34¢ in January. Pork sold for $14 per cwt. in January and is $20 per cwt. now. Copper had a nominal market of 4¾¢ a pound in March and could not be sold at that price, whereas it is now moving briskly at 9¢.

Cotton, which is now selling for well over 10¢, sold for less than 6¢ before the bank holiday. July delivery of silk, at $1.13 before the bank holiday, is now selling for $2.27. July rubber at 7.55¢ contrasts with 3.06¢ on Apr. 1. Hides have risen from 4¢ to 12¢ and gasoline from 9¢ in January to 12¢.

Cost of Living Lags

The widespread belief that the cost of living has risen rapidly since the bank holiday is not borne out by the figures. Figures for retail prices and the cost of living are not made available as rapidly as commodity prices. The latest figures for retail prices are for the month of May. At that time, wholesale commodity prices had risen about 5%. During the corresponding period retail food prices had risen about 3%, housing and clothing costs had declined, and fuel and sundries had risen slightly. On the whole, the weighted average of the cost of living had risen less than .4%. It would appear, therefore, that the advance in wholesale prices is no adequate measure of the advance in the cost of living as yet.

The same thing holds true when we examine the available figures for earnings, for skilled and unskilled labor. Unskilled labor earned $13.92 per week in February and $14.42 in May. Skilled labor earned $18.67 in February, and $18.94 in May.

U. S. Debt

One-third of our government's debt is floating; the President asks two professors to study the problem.

WASHINGTON — President Roosevelt again has turned to the universities for counsel. Prof. James H. Rogers of Yale and Prof. George Warren of Cornell, both distinguished economists, have been drafted to spend the summer (without pay) studying the public debt. They are to suggest the best means of converting the $7 billions of short term obligations into long-term bonds.

They have a knotty problem.

The total interest-bearing debt of the United States is now $21.5 billions, of which $14.2 billions are funded in long term bonds, $3.6 billions are in the form of Treasury notes, redeemable in 1 to 4 years, and about $3.1 billions are in certificates and bills maturing in 1933, and constituting the floating debt.

Our Assorted Assets

Against the $21.5 billions of United States indebtedness the government holds $11.8 billions for foreign obligations constituting the intergovernmental loans extended during the war, credits for surplus war supplies sold, credits for relief supplies sold to the American Relief Administration, and German bonds to reimburse the United States government for various debit items. In addition the government holds $53 millions net of capital stock in the Emergency Corporation and the United States Spruce Production Corporation. It holds $1.7 billions of Reconstruction Finance Corporation stock and notes, and obligations of railroads totalling $39 millions. It holds $19 millions of capital stock in the Panama Railroad and Inland Waterway Corporation, $125 millions of capital stock in the Federal Land Banks, $31 millions of capital stock in the Federal Home Loan Banks, $32 millions of capital stock in the Federal Intermediate Credit Banks, $450 millions of receipts from the Federal Farm Board, $157 millions of securities of the United States Shipping Board, and about $9 millions of various other securities.

Thus, out of the $21.5 billions total debt the United States government holds obligations of domestic corporations, of foreign governments, governmental and domestic corporations totaling about $14.6 billions. A glance at the list of these obligations will show that collection on them ranges from the exceedingly doubtful intergovernmental debts to the more favorable Farm Land Bank and Intermediate Credit obligations. The remaining $6.4 billions long- and short-term debt is the consequence of years of unbalanced budgets.

When we take the total indebtedness in conjunction with the present budget situation it becomes obvious that the total indebtedness is in every sense a long term debt. No matter how it is divided, and irrespective of the value of the obligations held by the United States government, there appears to be no prospect that the debtors of the government will pay their obligations or that the fiscal government situation permits the retirement of government bonds in the near future. In consequence, it seems anomalous that the government should permit more than 30% of its debt to float as short-term obligations maturing in less than 4 years when these periodic maturing obligations must be periodically refinanced with no chance of retirement.

This situation has arisen largely because of the extraordinary money market which has developed since 1929. It must be remembered that government financing is closely allied with the banking situation in the United States. The Federal Reserve Banks now hold almost $2 billions of United States obligations. The member banks in 90 leading cities hold $5 billions and other member banks hold $3 billions, making a total of holdings of the Federal Reserve and member banks of $10 billions or almost half of all United States government obligations outstanding. To this must be added the large amount of loans extended by the banks to clients with United States government bonds as collateral and additional holdings of nonmember banks. These figures make it obvious that the banking structure of the country is dependent upon government credit and finance, that the two are closely allied, and that the periodic financial operations of the government definitely affect the financial position of the banks.

Events Dictated Course

The banks, as the most important buyers of United States government obligations, have dictated the method whereby government long term indebtedness is being financed and refinanced periodically as a huge short term debt. The banks in turn have been forced into this course by inexorable recent

Keystone

WHITE SPACE CINEMA—Visitors to A Century of Progress may see free movies in this little theater, dedicated by the advertising fraternity at the exposition. Left to right, are John Benson, president of the American Association of Advertising Agencies; Rufus Dawes, president of the exposition; Edgar Kobak, president of the Advertising Federation of America; Phil Thompson, advertising manager of Western Electric.

events. The banks look upon government bonds as the purest form of investment because of the safety of principal and interest. But the money market in recent years has compelled the banks to look upon another factor as important, the marketability of the bonds. When during 1931, 1932 and the early part of 1933 the banks were constantly in danger of runs, and were being subjected to sudden and heavy withdrawals, they were compelled to keep their assets in relatively liquid form. During that period it was little comfort to the banker that his bond portfolio was ultimately good when the market price of high grade bonds of distant maturities dropped sharply. It may only be recalled that on Sept. 15, 1931, the Treasury offered and successfully sold $8 millions of United States Treasury 3's at 100, which by January, 1932, had declined to 82, a decline of 18% in less than 4 months. This decline in the price of bonds, which serve as a standard by which all other forms of investments may be measured, was due to the forced liquidation of bonds by banks all over the United States. Lessons like these drove bankers to buy the short-term maturing bonds at interest rates of ½% to 1% and frequently even less, rather than 3% to 4% long-term maturing bonds. Early in June, the Treasury's offering of $500 millions of 2⅞% Treasury notes running 5 years, was the first testing by the new Administration of its medium long-term emission. It was successful, but showed that there is still a wide margin between the 5-year bond and short-term notes. On the same day, $200 millions of 9-month notes were issued which sold at ¾ of 1% interest.

Matters of Policy

It goes without saying that the government is anxious to exchange the short-term floating obligations into a long-term securities. The better bank present Administration differs from the Administration under Secretary Mellon, who had ample opportunity to change the short-term into a long-term debt, but declined to do so. The present Administration has shown willingness to take advantage of the money market, when, as, and if it seems opportune to refinance short-term obligations into long-term securities. The better banking situation from now on will greatly aid in this. However, it is possible that other steps in this direction may be necessary. It seems desirable from every standpoint that government obligations should be more widely distributed among the public. This may involve issuance of bonds in denominations that can be bought by the public, maintaining through various government agencies a sort of sales organization, and more important than all, to stop issuing tax exempts which in their very nature tend to concentrate in the hands of institutions with large incomes, thereby depriving the government of tax returns, and making for governmental revenue losses much greater than if the bonds were issued as taxables with a slightly higher rate of interest, thus attracting a wider investing public.

Economy Juggling

Secretary Roper lops $7 millions off one end of the Commerce Department, hopes to add $10 millions on the other.

ANTICIPATING that the improvement in business will be reflected in a greater demand for the services of the Commerce Department, Secretary Roper is pleading with Lewis Douglas, Director of the Budget, for a truce on further economy. The Commerce Department is committed by the budget-balancing program to cut its expenditures from $36 millions to $26 millions, on the basis of last April's appraisal of the government's fiscal affairs.

$3 Millions to Go

Secretary Roper has lopped $7 millions off his budget, still has $3 millions to go. If necessary, he'll keep on swinging the ax until the chips total $10 millions but—for the sake of an argument, if nothing else—he has suggested to the Budget Bureau that the same upturn that is expected to enlarge the need for Commerce Department services also justifies the hope that the government income for 1934 will be larger than was estimated last spring. In that event, the Commerce Department's services may justify him in using more people than the government's immediate financial condition seems to justify.

Resourceful Mr. Roper's attitude towards the Commerce Department has warmed considerably since he became its head. Besides trying to defend it against the Budget Bureau, he is also asking for a $10-million slice of the $3-billion public works program for his department. Thus, he figures that even if the Budget Bureau should insist on a cut of this figure, as planned, the department will break even; and if, as the Secretary hopes, a cut of $7 millions will appease the Budget Bureau, the department will be $3 millions to the good.

The allotment to the Commerce Department has not been approved by the Public Works Board but Mr. Roper contends that the functions of several agencies of his department—the Bureau of Lighthouses and the Coast and Geodetic Survey, for instance—are so closely related to public works as to entitle them to participate in the huge emergency program.

Conference Doldrums

Delegates at the London Conference consider where they can reopen conference discussions without running into touchy monetary problem.

THE London Conference was quiet this week, probably a little abashed that it had put up such a struggle to make or break the conference on a single issue, lost, and still found a way to carry on. Individual statesmen are recuperating from last week's strain, lining up for a fresh attack.

Of the 6 major items on the conference agenda as it was prepared early last spring, there are only 2 which the majority of members agree can be discussed without getting around the monetary problems, and the gold bloc isn't even enthusiastic about discussing these before the monetary question is settled.

Formally, the 2 items are listed as "Price Levels" and "Producers' Agreements." Both tie in with the spreading belief that some central control must curb greedy individual initiative on world markets. Europe has attacked the problem with its cartels in various industries. Italy has gone a long way in forcefully bringing order in the domestic economic organization. Germany is following Mussolini's lead. France and England have found it necessary to let the government step in and straighten out certain problems which industry, left to itself, had failed to settle. And finally, Washington is setting the example for government regulation on a grand scale.

Much Can Be Done

It is the belief of certain leaders at London—of which America's chief delegate, Mr. Hull, is one—that much can be done in London with practically all the nations in the world represented. The great powers are confronted with the necessity of presenting some concrete accomplishments to their home governments. Many of the smaller powers came to the conference primarily for the sake of conferring with others on this problem of restricting production, reorganizing a badly functioning distribution system. While they are working out their plans, they may find other groups willing to bargain with them on other problems.

The tariff truce, to which the major nations agreed before the London Conference opened, will expire on July 31 unless it is renewed. There is talk that various delegates will ask to be released from the truce so that they can make tariff bargains with other countries on a bilateral basis. Washington, it is intimated, may strike out for new trade agreements in Latin America, the Far East, possibly Russia. Some of the British Dominions are ready to bargain with the United States. Continental Europe may find it possible to be more neighborly than seemed possible 6 months ago.

The conference is certain that currency stabilization is definitely off the agenda for the next few weeks, possibly months. Meanwhile, there is much that the conference might discuss. Just now it's trying to determine whether there is a point in the agenda where it can reopen its deliberations.

Flight of Capital

Exporters who have been letting their receipts pile up in foreign banks may not be bothered by the Administration.

THIS talk of a flight of capital via the trade route (*BW—Jul8'33*) means that some Americans have been quick to take advantage of the easiest way to escape inflation. By instructing foreign customers to deposit payments in their own currencies in specified foreign banks, exporters have been able to get a considerable amount of American capital out of the path of devaluation. Particularly forehanded ones are believed to have shipped large stocks of unordered goods for storage abroad.

German experience has proved that there is no way of preventing some flight of capital by this means, even when all exports are licensed and an accounting required to show disposition of the money received in payment. There were many ways of circumventing even the most stringent regulations.

No Export Limits

American exporters, however, have not had to evade any regulations. No request for the licensing of exports has been made. On the contrary, the announced policy of the Administration is to reduce tariffs and to offset the unemployment that would be created by increased imports through the increased employment in export industries expected to follow reciprocal agreements on tariffs.

Increase of the cost of production will make exporting more difficult. For that reason it is anticipated that no effort will be made to impose a license on exports that would set up a formidable new barrier in the way of the movement of goods. The Administration is pledged to the removal of difficulties in the exchange of goods. More than that, nothing could be done until Congress meets. By that time the 50-cent dollar may have been attained, and further devaluation halted. The existence of these deposits in other countries would then support the dollar as the exporters bid for dollars in order to repatriate their funds.

Soviet Engineers

Russian engineers will supervise the building of a textile industry in Turkey, using equipment furnished by the Soviets.

A FEW years ago the Soviets were importing engineers and materials to remodel or build new textile mills in Russia. Within the last month, Mustapha Kemal Pasha has accepted plans drawn up by Soviet engineers for a textile mill and power plant to be built in Turkey; equipment for the project will come from the Soviet Union and Soviet engineers will supervise.

There is no prospect that Russia is about to flood the world with Soviet engineers ready to build textile mills, or anything else for foreigners. It is a publicity stunt. Last year when the Turkish and Soviet governments were negotiating a new trade arrangement, Moscow found it good strategy to offer Ankara an $8 million credit on the condition that it be spent in Russia. Turkey was planning to build a textile industry. Old Russia had textile mills. New Russia has modernized them and built extensive new mills. Turkey wants to do the same thing. The Soviets offered to help.

The prestige of building an industrial plant outside of Russia would give confidence to Soviet engineers and make encouraging propaganda for home consumption. If the project is a success, Persia, Afghanistan, and China may become markets for Soviet technical advice.

Super-Highways

Hitler public works program provides first for 3,000 miles of automobile super-roads. Government railways will control project.

BERLIN—Like President Roosevelt, Chancellor Hitler is determined to lose no time in getting a public works program under way. Reemployment, to both leaders, is a problem of first importance. More than 5 million Germans are still out of work. Estimate of unemployment in the United States (with twice the population) exceeds 14 millions.

The backbone of the government's

public works program in Germany is the building of 3,000 miles of new roads to be constructed in the most modern manner with a minimum of curves, without level-crossings, and given over to the exclusive use of automobiles.

Railways Run Roads

There are several striking features of the Hitler plan. In the first place, the German State Railways (government-controlled) have been entrusted with the responsibility for carrying out the project. The State Railways are completely in control of a new company to be known as German State Auto Roads, which will put up the first 50 million marks for initial construction. Subsequently the bulk of the finance will probably be provided from the newly-established 1-billion mark fund to carry out the "Hitler Employment Plan." Ultimately, the government will control a German State Traffic Co., which will include all rail and motor traffic. It is characteristic of the dictatorial policy which German governments for the last several years have pursued in working out the difficulties between rail and motor transport (*BW—Mar4'31*).

Highway Dictator

In keeping with the dictatorial policy of the Hitler government, an "inspector general" will be appointed by the government to determine what roads shall be constructed first, and eventually will coordinate the country's entire system of automobile roads. This will become important when the new roads are completed, for it is planned that only automobiles will be allowed to use these special roads and somehow the traffic must bear the expense of building and operating them.

Mussolini is Hitler's model in this, as in many other projects. One of the first and still most efficient of the great automobile super-highways in the world was built in Italy soon after Mussolini came into power. Each year, new roads are added, one of the most recent being the truck highway between Milan and Genoa (*BW—May31'33*). As soon as the present plan was conceived by Hitler, he sent his Minister of Labor to Italy to study the Italian automobile road system.

Traffic Needed

Germans who do not view the new scheme through spectacles of party enthusiasm have a few doubts about the project. Germany already possesses the best roads in Europe (with the possible exception of Italy). Compared with American, or even French and British, standards of road traffic they look deserted. It is possible that the present system of roads could carry 10 times the present traffic. Only when the future is viewed most optimistically does it seem possible that sufficient traffic will develop to liquidate the present cost of the scheme.

Litvinov Scores for Moscow

Russia's Foreign Minister has won real triumphs at London. Aim: U. S. recognition. Europe thinks it's "just around the corner."

STOUT, bespectacled, and very competent, Mr. Litvinov—Foreign Minister of the Soviet Union—has won more triumphs at the London Conference than any other one statesman.

He's no stranger to London for he has lived there a good many years. He became particularly well acquainted with diplomatic London during the last years of the war when the Bolsheviks were attempting to set up their government in Moscow.

Before the London Conference had been in session a month, Mr. Litvinov had scored his first triumph. Bargaining with British statesmen, he had arrived at an agreement to renew Soviet-British trade relations. They ended abruptly 3 months ago when the trial in Moscow of 6 British engineers ended in the imprisonment of 2 of them. Britain promptly placed an embargo on almost all Soviet imports. Moscow retaliated by refusing to trade with London. Both countries lost heavily in the deal. Mr. Litvinov and Sir John Simon finally arrived at a "way out" which saved the faces of both governments.

The second triumph came only a few days later, and Mr. Litvinov's hand in the matter was not generally recognized. Among the friends cultivated at London were the American delegates to the conference. First it was Mr. Hull, Secretary of State and head of the American delegation. Then it was Mr. Moley, his assistant. Then came the announcement from Washington that the R.F.C. would back loans to exporters of American cotton who had an opportunity to sell nearly 70,000 bales to the Soviets on 12 months' credit. The deal is going through now (*BW—Jul8'33*).

The Aggression Pacts

The third great triumph is more significant to the average European than to the American. It was Mr. Litvinov's success in getting 8 of the Soviet's neighbors to sign an agreement defining aggression. It is considered virtually an 8-power accord by many Europeans, though actually it does little more than define what "aggression" is. The greatest significance is that Rumania has come into the group, for there has been friction between Moscow and Bucharest since the Rumanians were awarded one of the rich provinces of south Russia following the war. To Poland, also among the 8, the pact is an answer to the 4-power pact signed not long ago which made Germany, rather than Poland, one of the "Big Four." Other members are Afghanistan, Persia, Turkey, Estonia, and Latvia.

A fourth important move was taken by Mr. Litvinov when he flew across to Paris, shortly after the signing of the 8-power agreement, for a visit with French officials. Because France was a very heavy investor in old Russia and so one of the heaviest losers when the Soviets repudiated Czarist debts, relations between Paris and Moscow have not been cordial in recent years. French business men grumbled aplenty over this in 1930 and 1931 when their German competitors were taking every advantage of the friendly relations between Berlin and the Soviets to land enormous orders for machinery and factory equipment. French sales to the Russians have never amounted to much, though the French have bought a considerable volume of Soviet raw materials—particularly oil.

Balm to Paris

The ultimate results of this visit to Paris are not yet published. Probably they will include an announcement of a new trade accord between the 2 countries which will include a certain volume of French government export credit guarantees that will encourage Soviet orders, foster healthier commercial relations. Certainly it is balm to the troubled feelings in both Paris and Moscow following the "Hitler excesses" in Germany, considered a threat to both France and Russia.

Whatever the possibilities that the problems on the formal agenda at the London Conference will be postponed, Mr. Litvinov has no idea of delaying his own business. He has a lot of extra-curricular duties to perform for his government. The most important, no doubt, is to win American recognition if possible. Failing that, he will try to reestablish trade relations on at least a more liberal basis. It is obvious in London that the British hurried their negotiations with him because they anticipate early recognition by Washington. Paris is turning friendly as much for this reason as for the eagerness to line up more countries with a mutual mistrust of Hitler.

Washington is noncommittal, but there is talk of extending further R.F.C. loans to finance export trade. Executives are sufficiently confident that "something is going to happen soon," to be studying Soviet trade prospects. Old friends are renewing their contacts with Moscow. President Roosevelt may "pop" the Russian question any time.

Business Abroad

London Conference in doldrums; committees busy. Gold bloc only outwardly secure. Britain swinging to Roosevelt policies. Hitler rebukes party enthusiasts, woos industrial leaders. Cuba likely to get larger sugar quota. Tokyo and Moscow still dickering over Chinese Eastern.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Europe generally believes this week that the World Economic Conference will recess, after another few days of discussions, and not reassemble until next fall. Meanwhile, special committees representing countries particularly interested in more orderly production and distribution are expected to remain in session. And "special envoys" may remain in London, or travel, with a view to drawing up more agreements for trade expansion between countries which had hoped to profit from a general conference accord on lower tariffs.

Three trends developed during the week which created more than usual interest in almost every capital. One was the striking manner in which various European leaders are leaning toward President Roosevelt's schemes to raise prices, but especially to create more buying power through wider employment. Neville Chamberlain caused the greatest sensation when he backed the program openly in the British House of Commons. But similar ideas were voiced less publicly in many other capitals. As the success of the Roosevelt programs continues, more converts are won to the American point of view.

Growing out of this new surge of interest in the Roosevelt policies, or possibly encouraging it, is the weakening of the position of the gold bloc. Publicly, France is making a great show of strength. Inwardly, there is alarm over the incipient weakening of the gold bloc's position. Vast as the gold holdings of the member countries are, they cannot make a dent on pound-dollar policy if these 2 currencies work together. Restrictive protection of the gold stocks of the 5 gold standard countries are likely to appear soon.

Germany presented the third outstanding trend. Hitler firmly in office is more discreet than Hitler just feeling for power. This week he warned his followers that he and his chosen leaders would do whatever purging of industry was necessary. Petty party members no longer can take out their personal grudges against local commercial and industrial leaders. It is proving too expensive. Confidence has been too badly shaken. Hitler's first aim now—like Roosevelt's—is to get men back to work. If tried executives can help to do this, it makes no difference whether or not they are Nazis.

Germany's political isolation is almost complete now. The new strength of Chancellor Dollfuss in Austria has weaned his last neighbor. Russia, after winning 8 neighbors, is now negotiating a non-aggression pact with Italy.

Germany

Hitler puts end to petty persecution of executives. All efforts concentrated on work-creating projects. Road program started.

BERLIN (*Cable*)—"The revolution is completed; now comes evolution. The ability of business executives deserves precedence over party allegiance."

This was Hitler's warning this week to the extremists in the Nazi party who have been persecuting non-party business leaders and industrial executives. It was broadcast. "Sabotage of the German revolution by unauthorized interference with industry will be punished with the severest measures—imprisonment being the minimum. Party members are not immune."

This is the sort of declaration most needed to restore badly shattered confidence in Germany. If carried out diligently, industry will react promptly. With the Hitler recovery program getting under way, with 200,000 more men employed in June, with the first contract let on the 3,000-mile automobile road building project (page 22), industry and the retail trade must be freed of the fear which has gripped it for the last 2 months. "The leader" evidently understands this and feels himself sufficiently secure in his office for the time being to subordinate extreme party demands to more practical economic shrewdness.

Business Above Party

Demonstrations against department stores are to be stopped. Their sales are down and their securities have sagged on all boerses. If they should fail, hundreds of Germans employed in the stores or in the industries supplying the stores would be thrown out of work. The same if the consumers' cooperatives are not allowed to function. This would counteract the government's vast plans to raise employment as speedily as possible. Since the leaders now in control are believed to be sufficiently strong to carry out these new commands in the face of local opposition, recent pessimism is lessening.

Business improvement continues, but moderately. The government's program is giving the biggest boost. Iron and steel mills are active on large railroad orders, and the Frankfurt-Heidelberg road contract will give employment to an enormous number of men. Other public works will be started as fast as plans can be completed, contracts let.

Globe

COLUMBUS WOULD STARE—The port of Genoa, reconstructed by the Fascists, now boasts ample docking space for even large liners. In the foreground are Italy's sea prides, *Rex* and *Conte di Savoia*. A new viaduct connects the piers along the waterfront.

Great Britain

British lean toward American inflation policy but refuse to commit themselves. Industry absorbs many workers.

LONDON (*Cable*)—Outwardly, the fate of the World Economic Conference hangs in the balance. Actually, the statements to which the British House of Commons listened on Monday pretty well indicate that British thinking is lining itself behind Roosevelt policies. Both Mr. MacDonald and Mr. Chamberlain have backed the American theory that prices must be lifted. But in London, more than in Washington and New York, there are still some doubts about the brakes which can be applied and the wisdom of statesmen in applying them.

Away From Gold

British sentiment is swinging away from the gold standard theory as it becomes increasingly obvious that the gold countries are running into widespread inflation talk at home, and as plans are quietly being made to meet an emergency. It is obvious now that even the French have doubts whether they can maintain the gold standard for long.

The talk in Paris of the creation of a joint fund to which the central banks in the remaining gold countries would contribute is amusing for, actually, the regulations governing the various banks prevent the creation of any such fund. The only possible manner in which the banks can achieve this mutual protection is through a common agreement to earmark currencies for each other. Even then, it will be impossible, though all their gold is amassed, to affect the ultimate level of the dollar and the pound.

It is of some significance to international bankers that Dr. Schacht has already stated to members of the gold standard countries that Germany will expect to be included in the group of countries defending the standard to the last ditch. Germany has been only artificially on gold for a long time, but with an enormous foreign debt it is to Germany's advantage to cling to the symbol as long as possible.

London Isn't Gloomy

There is no great gloom in London over the prospect that the conference will soon adjourn. Most people are evidently of the opinion that committees will continue to work and that much may be accomplished in the interval between now and the time the big meeting may get together for action by the entire group on the more thorny problems in the agenda.

One important agreement has been reached this week in regard to silver. The users of much of the world's silver —India, China, Japan, and Spain—agree in principle to regulate the sales of surpluses, and the producers—United States, Canada, Mexico, and Peru—agree to take surpluses up. Senator Pittman, who has worked hardest for some silver agreement, says it will take 6 months to get the machinery working but success is assured with an inevitable price rise. The Peruvian representative says that the success of the scheme has already been discounted and that any price rise will be only small.

The renewal of trade relations with the Soviets, which is a direct outgrowth of the meetings between the Soviet and British delegations to the conference, is being followed by negotiations for a new trade accord. British officials are demanding that the Soviets recognize old debts and property confiscation.

The business tone, despite all the conference uncertainties, remains good. Most hopeful report during the week is the announcement that the number of unemployed declined another 145,000 during June, making the total number of workers absorbed in industry since the first of the year more than 500,000.

France

Confidence in gold is shaken. Industry continues to pick up. Rising world prices may eventually meet tariff-protected French variety.

PARIS (*Wireless*)—France is absorbed this week with the efforts to cover up true feelings over the developments at London. Outwardly, the French are rather pleased. The press is filled with reports of the successful constitution of a solid "gold bloc" on the Continent, and with assurances that the London Conference has been successfully prevented from riding rough-shod over the wishes of this group. Much is being written and spoken about the "victory" of Georges Bonnet, French Finance Minister and ablest negotiator for "currency stabilization before all else."

At home, only the least informed can believe that France feels secure on her gold standard. Hoarding continues. Gold coins are at a slight premium. Having gone through an inflation not 10 years ago, the Frenchman is pretty wary of any proposal to live it over. Once in a generation it can be managed if it is patriotically necessary. Twice would be a catastrophe.

Industrially, the country still shows signs of recovery. Almost every index of production shows a rising tendency for the last few weeks. Chemicals, particularly, were more active throughout June. As prices rise outside France, and demand grows, the French are reviving hopes that foreign prices soon will reach the levels which France has maintained at home behind high tariff walls. This is the ray of hope to the nervous statesman and industrialist. It may make it possible simply to "readjust" the value of the franc slightly, rather than devalue on the scale predicted in money capitals when discussing the pound and the dollar.

Tourist traffic is poor, though the influx of travelers is now expected to be slightly greater than was anticipated earlier in the spring

Far East

Japan watches commercial interests in Manchukuo. More mergers strengthen industry. China buys American planes for war fleet.

THE Tokyo conference at which the sale of Russia's share of the Chinese Eastern Railway to Japan is being discussed has reached the same sort of deadlock as the London Conference. There is no agreement on the major issue but negotiations on a half dozen minor issues are continuing. No results have been published this week. Before long some accomplishments are likely to be announced. If they lessen the tension which has been increasing in the last few months between Soviet and Japanese nationals in the thinly populated regions of eastern Siberia, they will be as important as winding up the sale of the Chinese Eastern.

Japan's intentions in Manchuria are evident again this week in the announcement that the government is attempting to salvage something from the so-called Nishihara loans to China for the syndicate of 26 banks which made them. The idea is to collect them through Manchukuo. Since the country is unable to pay in cash, Japan is suggesting that the lending banks be given shares in government enterprises already in existence in Manchukuo or about to the established. The banking syndicate is especially eager to secure shares in the Japan-Manchukuo Communications Co.

More Japanese Beer

Within Japan, 3 developments are worth noting. The beer industry is greatly expanding production and 2 of the largest units have merged. In keeping with this concentration policy, which has government backing, 5 insurance companies are planning to merge. The steel industry has already rationalized.

Despite the fact that this is normally a season for heavy export, foreign trade is running slightly against Japan. Observers say it is due to heavy purchases of cotton in anticipation of price rises, to smaller silk exports, and

to the increasing number of barriers which have been raised against Japanese imports in many markets.

In both London and Tokyo there is a growing belief that the 2 countries will get together in a big trade conference before the year is over. Japan is steadily being pushed out of Empire markets by the imposition of special duties against imports from countries whose exchange is more depreciated than the pound. Both countries have much to lose in a trade war; both are in a mood to bargain. As soon as the fate of the London Conference is determined, diplomats from the 2 countries are likely to get together for preliminary discussions.

China is still threatened with floods in both the Yangtze and Yellow river valleys. Dikes built last year by workers in return for food relief have kept the rivers between their banks so far, but additional rains have renewed the threat to the populous coastal valleys.

American business is especially interested in the report that the Chinese government has ordered 36 war planes from Curtiss for delivery within 3 months. They are intended as the nucleus of a Chinese air fleet.

Latin America

Cuba will benefit from larger sugar import quota. Brazil ties milreis to pound. Uruguay suspends foreign debt payments.

THE significant in Latin American news developments this week can be summarized in 3 items.

Most important is the probability that American sugar interests are going to increase Cuba's import quota under the preferential tariff. This will be made possible after American production is allotted on a quota basis, leaving a larger share of the domestic market for refined sugar to be supplied from Cuba. In return, the United States expects tariff preference on a number of items which Cuba formerly bought in large quantities from this country.

The second development is Uruguay's decision to default on interest payments on all but amortization loans due to foreigners. Interest payments will be made in pesos in Montevideo but they will not be transferred abroad.

Rio de Janeiro, during the week, announced that the Brazilian milreis would again be tied to the British pound instead of the American dollar, and the official rate was fixed at 60 milreis to the pound sterling. Recent dollar volatility is given as the reason. For the time being, the milreis is at a slight premium on the dollar under this scheme.

The Figures of the Week

Activity continues at a good pace as inventories are built up in textiles, shoes, steel. Retail sales in June reflect lag in general purchasing power. Private construction picking up in advance of public. Commodities higher.

SIGNING of the textile code effective July 17 marks the inauguration of a novel experiment in an industry long known for its cut-throat competition, long hours, and low wages. In anticipation of the government's program which manufacturers eye as a cost-raising proposition rather than as a purchasing-power stimulator, activity has been forced to unexpectedly high levels. This eagerness to build up stocks at current wage and price levels, without restrictions on hours or machine operation, is reflected prominently in the weekly records of electric power consumption; in the 19% rise of May shoe production over April, a distinctly unseasonal phenomenon; in the unusual June gains of employment and payrolls; in the sustained activity of steel and the strength of carloadings. So widespread has this attempt to "beat the gun" become, that the government is thoroughly alarmed lest the production of goods again outstrip the rate of consumption. The lag in purchasing power is well illustrated in the June report of department store sales. Instead of overcoming the customary seasonal slump, sales were forced down in the usual manner, with only the 2 districts of Dallas and St. Louis holding above the 1932 mark.

Intent upon increasing employment as rapidly as possible, the federal program for $3.3 billions of public works is being whipped into final form by Secretary Ickes as a reinforcement to the gains already made in other lines of industry. In this field, notable strides have recently been achieved by private constructors. In June, both residential and non-residential building volume forged sharply ahead of a year ago. The lag in public construction held total awards in the 37 states east of the Rockies 8.7% below a year ago.

For the first time since November, 1932, construction contracts passed the $100 millions a month level. Awards in June exceeded $103.2 millions, a 33.8% gain over May. In 10 of the 13 territories covered by F. W. Dodge Corp. awards surpassed the May totals. In the Texas and Kansas City regions even June, 1932, activity was exceeded.

About half of the awards comprised projects of a non-residential character such as factories, offices, public buildings. Over $51 millions of such contracts were awarded in June, a 61% gain over May, and a 28% increase over a year ago.

Residential Building Improves

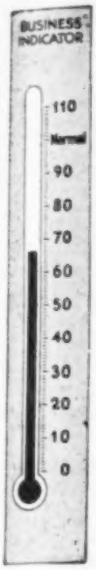
Next in importance comes residential building, which for some months has given evidence of renewed vigor after a long siege of waning vitality. June contracts of $27.8 millions were nearly 5% ahead of May and 20% larger than June, 1932.

Public works and utilities, which comprise public jobs in far greater volume than utility projects, ranked third with a total of over $24.4 millions. While this marks a 28.6% increase over May, it falls 51.3% below 1932.

Steel operations gave no hint of sagging during the July 4 week, the pressure of orders forcing the rate for the industry up near 54% of capacity. Independent mills are using 60% of their capacity. In the holiday week of 1932 the depression low of 12% was reached. *Iron Age* reports that new business now

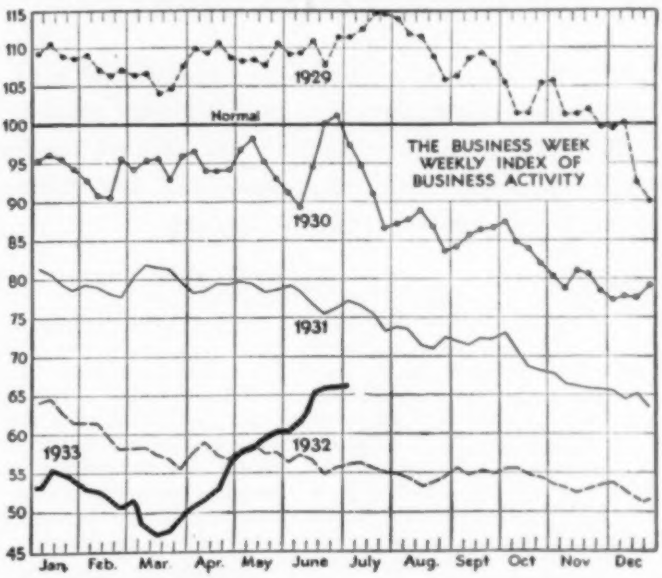
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1928-1932)*
BUSINESS ACTIVITY	*66.6	†66.6	56.1	
PRODUCTION				
Steel Ingot Operation (% of capacity)	54	52	16	46
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,040	$3,815	$4,619	$17,288
Bituminous Coal (daily average, 1,000 tons)	*1,075	†998	678	1,252
Electric Power (millions K. W. H.)	1,539	1,656	1,342	1,500
TRADE				
Total Carloadings (daily average, 1,000 cars)	106	101	82	144
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	68	67	59	95
Check Payments (outside N. Y. City, millions)	$3,301	$2,847	$3,368	$5,626
Money in Circulation (daily average, millions)	$5,746	$5,702	$5,785	$4,956
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.98	$.91	$.45	$.84
Cotton (middling, New York, lb.)	$.107	$.103	$.059	$.139
Iron and Steel (STEEL, composite, ton)	$29.67	$29.19	$29.48	$33.10
Copper (electrolytic, f.o.b. refinery, lb.)	$.087	$.079	$.051	$.113
All Commodities (Fisher's Index, 1926 = 100)	66.6	65.1	59.6	82.5
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,229	$2,210	$2,404	$1,508
Total Loans and investments, Federal Reserve reporting member banks (millions)	$16,686	$16,665	$16,424	......
Commercial Loans, Federal Reserve reporting member banks (millions)	$4,719	$4,704	$5,529	
Security Loans, Federal Reserve reporting member banks (millions)	$3,811	$3,748	$4,077	......
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$858	$764	$333	$3,017
Stock Prices (average 100 stocks, Herald Tribune)	$105.79	$103.35	$74.39	$140.36
Bond Prices (Dow, Jones, average 40 bonds)	$87.59	$86.43	$70.33	$90.36
Interest Rates—Call Loans (daily average, renewal) N. Y. Stock Exchange	1%	1%	2.3%	4.8%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1½-1¾%	1½-1¾%	2½-2¾%	3.8%
Business Failures (Dun and Bradstreet, number)	265	345	498	403

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For details of statistical methods, write the editor.



gives some indication of tapering, but backlogs are sufficiently large to permit the operating rate of July to expand even further.

Gains of 176,856 tons in unfilled orders of the U. S. Steel Corp. at the close of June came as a surprise to Wall Street. Even the most optimistic ventured no more than a 100,000 ton increase. Tonnage now on the books of the corporation exceeds 2.1 million tons, the largest since May, 1932. Last minute customers and a slow revival of export business are believed to have boosted tonnage, even in face of a rising operating rate. *Iron Age* tends to deprecate the belief that much steel tonnage is being accumulated against prospective price increases, pointing out that in the motor and tin plate industries consumption is keeping pace with new purchases, while railroad and structural buying has been at a minimum.

Steel Production Increases

With a 30% increase in steel production during June, the first 6 months of 1933 have outstripped 1932 by nearly 17%. In 6 months, output has exceeded 8.9 million tons compared with 7.7 millions in the same period of 1932. According to the American Iron and Steel Institute, 46% of the country's steel making capacity was engaged during the month compared with 34% in May and 16% a year ago. Pig iron production increased 42.5% during June, passing the million tons a month mark for the first time since November, 1931. Twenty-seven stacks were put in operation within the month, making 90 furnaces active on July 1 compared with 63 on June 1.

Motor plants are maintaining a surprising July schedule in response to popular demand for automobiles. Early estimates on passenger car sales during June are placed 4% higher than the May total of 160,000. General Motors sold 101,827 cars to consumers during June, an 18% gain over May and a 79% increase over a year ago. This counter seasonal rise marks the first increase ever recorded over May. Employment in Detroit at the close of June stood at 60.7 compared with 52.5 at the end of May.

Youngstown Wages Rise

Sharon Steel Hoop and Truscon Steel Companies have increased wages in their Youngstown plants, in advance of any rise contemplated by the steel code. Basic labor rate in Sharon Steel is now placed at 33¢. Meanwhile the industry's struggle to maintain the "open shop" continues.

Coal production continues to expand in response to the general demand. Conflicts over code provisions now appears the greatest problem before the industry.

Electric power production broke its upward trend through the interference of the July 4 holiday, but in comparison with a year ago there has been no lessening of the spread between the two years. Every section of the country reported a more favorable comparison with a year ago, with the Southern states reaching a height of 29% above 1932.

Large commercial users of electric power during May so increased their load that the 7% decline reported in April against 1932 was turned into a 7.5% increase. However, domestic and small commercial consumers whose rates are higher than those of industrial customers continue to use less power than the preceding month so that income of the utilities was not improved.

Carloadings during the week ending July 1—a pre-holiday period—again made a lunge toward the 1931 level, with even less-than-carlot freight showing a small increase over a year ago. The eighth consecutive week in which freight shipments have exceeded 1932 finds carloadings 30% above a year ago.

Check transactions during the week ending July 5 were greater than the preceding week, as was to be expected, but the 140 centers outside of New York slipped 2% behind 1932. New York City check volume was 21% higher than a year ago.

The July 4 holiday also had its effect on currency circulation, causing the first reversal in the downward trend since the peak week of Mar. 11. The reaction was in line with normal fluctuations in the need for currency. The decline will probably be continued until the outstanding volume is considerably smaller than at present.

Crop Reports

June 1 crop reports by the U. S. Department of Agriculture indicate amazing shrinkages in the leading grains. Wheat production is expected to fall below 500 million bushels as a result of drought, reduced plantings, and unfavorable growing weather. Surplus wheat will have to be dug into next winter, but the Administration plans to proceed with its acreage reduction program in spite of the current crop yields. All wheat futures passed the dollar mark during the week. The oat crop is expected to be the smallest on record. Already advances have been made in flour and bread prices. Other major commodities recorded higher quotations during the week, with many new highs established.

The Financial Markets

Business men are optimistic but perplexed and uneasy about speculative commodity and security prices. Stocks tend to settle upon the firmer ground of business improvement. Bond outlook, especially for railroads, is bright. Governments remain strong.

Money

THE sober business man and investor is perplexed by the present financial situation. Shall he stock up or limit his buying to current requirements? If he pursues a conservative policy and continues to buy merely to fill his needs, competitors who have bought for the future may put him in a bad position if prices rise. If he fills his shelves, he is obviously speculating on a bull market.

There is no clean-cut advice that can be given at this time. The best that can be done is continually to reappraise the situation, so that the final decision is, at least, realistic.

A Speculative Rise

Commodity and security prices are heavily tinged with speculation, hence the danger. In theory, a rise in commodity prices follows demand and is the result of increasing business activity. In practice, especially after a depression, commodity prices rise because of speculative demand which brings greater business activity, and finally, consumer demand.

Present price levels cannot be justified on the basis of consumer demand. They merely discount a prospective demand.

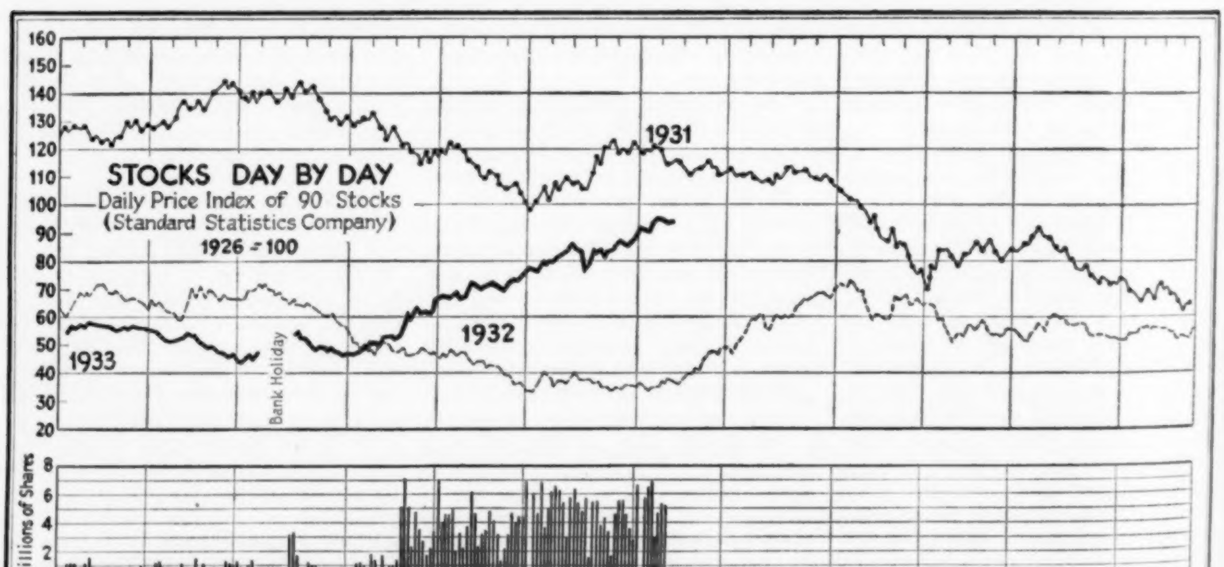
A very large percentage of the increase in prices is the consequence of the fall in the dollar on the foreign market. Neville Chamberlain, last week, pointed out that this decline is illogical, that the dollar is inherently strong. But the dollar in terms of the pound has now depreciated 30%, so at least 30% of the advance in domestic prices may be attributed to the decline of the dollar.

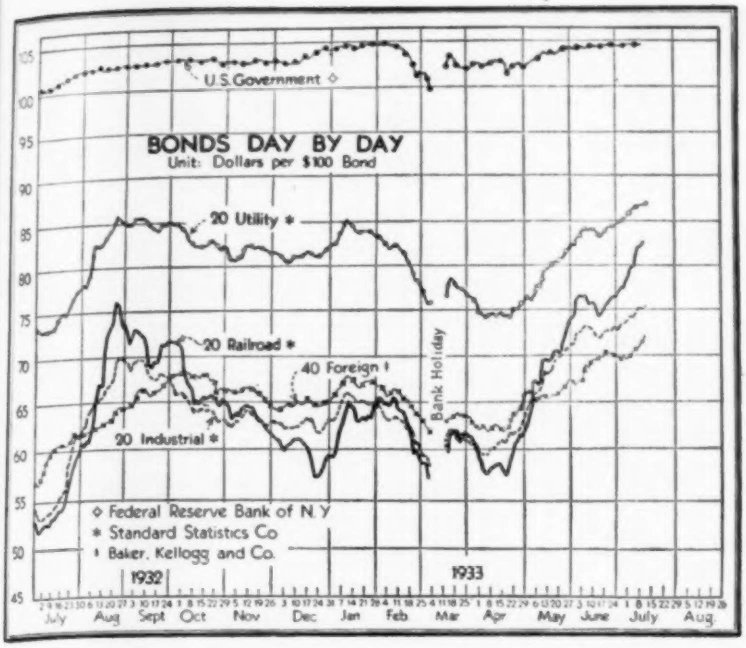
The dollar has fallen not because there is an excess of imports over exports (the very opposite is the case) but because of speculative selling. The dollar has been sold short in all foreign markets. A large short interest exists in terms of pounds, guilders and francs. Speculators have availed themselves of other avenues of selling short —by buying American commodities, exporting them to Europe, and then leaving their balances abroad. This explains recent sharp increases in the exports of cotton, exports that cannot be justified when we examine spindle activity in foreign countries. Another method has been the sale of American securities abroad. For example, shares of stock in United States Steel are traded in Paris. A block of stock is purchased here, sent to Paris for sale, and the resulting credit is left on deposit there.

It is interesting to consider what would happen if some event in Europe should make mandatory or expedient a covering movement of the dollar—say, replacement of the present government in England by another pledged to a program of inflation similar to that in the United States. A flight from the pound, possibly into the dollar, would follow. In modified form, the same thing might happen in France. These possibilities are not to be ignored and their effect on commodity and security prices could have disastrous consequences.

There's a Guarantee

On the other side of the ledger is the fact that the Administration virtually has guaranteed higher commodity prices. The machinery placed at its disposal to sustain high prices has not, as yet, been utilized. In the event of a shift in Europe it would probably be brought into full operation, though a suspicion remains that Washington might not be able to cope with the full force of the reversed tide. Those who doubt the controls point out that right now prices of securities have probably well outrun the desires of the Administration and are a subject of anxiety rather than pride. However, the impressive gains in business activity, that have been made in virtually every industry, justify considerable optimism and may well offset a large amount of the shock from unfavorable foreign developments.





While recovery is menaced by the activities of speculators in the foreign market, it is equally beset by speculation and greed at home. There is no telling to what extent industries are cheerily cutting their own throats by manufacturing goods at high speed and record production capacity in order to take advantage of the distressed labor market before the recovery program has time to get at them. The Administration is diligently and industriously pressing for codes, but obstructive manipulative processes, employed by greedy groups that have already forgotten the havoc they themselves wrought, can easily endanger permanent recovery.

Bonds

THE bond market shows a tendency to flatten out. This does not mean that there are any important recessions. From the statistical standpoint, bonds are in a better position than stocks. As the earnings of corporations improve, the bonds which have fallen to low levels must improve their position before dividends can be declared on stocks.

In certain quarters in the financial section it is believed that a majority of the railroad bonds will go to par in 1933. This is based upon the excellent earning statements of the railroads. For the first 5 months in 1933 Class I railroads earned at the annual rate of 1.06% on their investment. In May the rate of return was 2.04% against 0.58% for May last year.

Government bonds and high-grade bonds remain strong. For the first time since the Federal Reserve banks have started open-market purchases of United States government securities, total reserve credit has increased. This augurs well for high-grade bond prices.

Stocks

HESITATION and recession mark the course of the stock market. The orgy of indiscriminate buying has abated and the process of selectivity has started. There is less talk of inflation and more talk of business prospects. Stock purchasers are beginning to take cognizance of the phenomenal retail sales of automobiles and of the increased activity in steel.

Investors are studying the effect of the new cotton-textile code on the textile stocks and their findings are bullish. They say that an increase of 5% in the price of goods, plus a reasonable rate of activity, will cover all expenses of the imposed code and still leave a satisfactory profit.

Reaction, Not Slump

The imminence of the government construction program gives fair prospect to the construction industries. Railroad earnings have been surprisingly good and, though the outlook is for a less rapid increase in freight carloadings than has been the case in the past, no important recessions are expected. The end of the wild speculative boom in stocks is welcomed by conservative business men. The recent settling of stock prices is merely a reaction from speculation, not a change in fundamental business.

BUSINESS WEEK
The Journal of Business News and Interpretation
JULY 15, 1933

No Time to Spare

THE cotton textile industry's code under the National Industrial Recovery Act has been adopted and approved. The electrical manufacturers and the lumbermen have submitted codes. Presentation of a code for the steel industry is imminent. Other basic industries and literally hundreds of smaller groups are hard at work preparing to enter the "partnership" with government. All this sounds like encouraging progress for the plan, and so it is. The law has been on the statute books only a month.

But time is of the essence. Some important groups of industrialists are being advised to "wait a little," "go slow." Sometimes the advice comes from highly paid legal counsel; sometimes from organization executives. No matter where it comes from, nor how much it costs, it is bad advice.

There is a theory, against which we have inveighed before, to the effect that recovery has set in—"from natural causes"—and therefore that it is unnecessary to carry out the extraordinary measures planned when things were at their worst. This is a pernicious and dangerous fallacy. Analysis of the current business upturn will convince any hard-headed observer that it is built upon a foundation of forecast. The rise in prices is in anticipation of the devaluation of the dollar. The upturn in manufacturing activity is due in part to an increased purchasing power created by higher prices but in far greater part to pure speculation.

The Recovery Administration is keenly alert to the situation. Its exhaustive statistical studies show a great deal of manufacturing for stock—gambling on inventory, exactly on all fours with gambling in Wall Street. Production is rapidly outstripping purchasing power. The evidence of this is clear and unmistakable. June department store sales, for example, were less than last year's. The consequences will be disastrous if this trend is allowed to continue. Production without consumption spells collapse. That is, in fact, the stuff out of which depressions are made.

In Washington, there is a grim determination that this must not happen again—either at this particular juncture, or in future. Public works will be pressed forward speedily. That will supply some of the needed purchasing power. But that is not enough. Industry must do its share. Wages must be increased, hours shortened. Speaking broadly, the government is ready to permit industry to do whatever is necessary to make it possible to pay better wages to more men, whether old laws are in the way or not.

The government hopes business men will cooperate promptly. Self-government for business is a fundamental of the plan. But make no mistake about it—if business does not enlist, it will be drafted. The situation is too grave for paltering.

There is every disposition to give industry reasonable time to adjust itself to the startling new order of things, and to work out its internal problems, obviously complicated and difficult. But reasonable time, under the circumstances, is not very long.

For men who sincerely doubt the soundness of this startling experiment, we have every respect. But to them we quote President Hoover's good-bye at the Washington railroad station to a journalist friend, "The one thing I would never forgive you would be any attempt to hinder whatever recovery program the new administration formulates."

For selfish men, endeavoring to exploit this situation for their own advantage, we have nothing but scorn.

For hard-headed, severely practical business men, we commend a little solid thinking on the actualities of the situation.

To all, we suggest prompt action.

Published weekly by the McGraw-Hill Publishing Company, Inc. 330 West 42nd St., New York City. Tel. MEdallion 3-0700. Price 20¢. Subscription: $5.00 a year, U. S. A. and possessions. Foreign $7.50. Cable code, Mcgrawhill
Publishing Director, Jay E. Mason

Editor, Marc A. Rose
News Editor, Perry Githens
Marketing, O. Fred Rost
Transportation, Irvin Foos
Foreign, J. F. Chapman
Managing Editor, Ralph B. Smith
Economist, Bernhard Ostrolenk
Statistics, R. I. Carlson
Typography, F. A. Huxley
Washington, Paul Wooton, Carter Field

continue.
s collapse.
th depres-

rmination
ner at this
blic works
t will sup-
wer. But
its share.
hortened.
ready to
cessary to
s to more
or not.
men will
for busi-
But make
not enlist,
too grave

industry
startling
s internal
difficult.
mstances,

soundness
ve every
President
railroad
ne thing I
y attempt
the new

ploit this
we have

business
ng on the

ompany, Inc.
ion 3-0700.
possessions.
, Mcgrawhill

lph B. Smith
rd Ostrolenk
R. I. Carlson
F. A. Huxley
Carter Field